

STATE OF MINNESOTA

EIGHTY-FOURTH SESSION — 2005

 FIFTY-FIFTH DAY

SAINT PAUL, MINNESOTA, MONDAY, MAY 9, 2005

The House of Representatives convened at 12:00 noon and was called to order by Steve Sviggum, Speaker of the House.

Prayer was offered by Pastor James Peck, Redeeming Love Church, Maplewood, Minnesota.

The members of the House gave the pledge of allegiance to the flag of the United States of America.

The roll was called and the following members were present:

Abeler	Dempsey	Heidgerken	Lanning	Olson	Sieben
Abrams	Dill	Hilstrom	Larson	Opatz	Simon
Anderson, B.	Dittrich	Hilty	Latz	Otremba	Simpson
Anderson, I.	Dorman	Holberg	Lenczewski	Ozment	Slawik
Atkins	Dorn	Hoppe	Lesch	Paulsen	Smith
Beard	Eastlund	Hornstein	Liebling	Paymar	Soderstrom
Bernardy	Eken	Hortman	Lieder	Penas	Solberg
Blaine	Ellison	Hosch	Lillie	Peppin	Sykora
Bradley	Emmer	Howes	Loeffler	Peterson, A.	Thao
Brod	Entenza	Huntley	Magnus	Peterson, N.	Thissen
Buesgens	Erickson	Jaros	Mahoney	Peterson, S.	Tingelstad
Carlson	Finstad	Johnson, J.	Mariani	Poppe	Urdahl
Charron	Fritz	Johnson, R.	Marquart	Powell	Vandever
Clark	Garofalo	Johnson, S.	McNamara	Rukavina	Wagenius
Cornish	Gazelka	Juhnke	Meslow	Ruth	Walker
Cox	Goodwin	Kahn	Moe	Ruud	Wardlow
Cybart	Greiling	Kelliher	Mullery	Sailer	Walti
Davids	Gunther	Klinzing	Murphy	Samuelson	Westerberg
Davnie	Hackbarth	Knoblach	Nelson, M.	Scalze	Westrom
Dean	Hamilton	Koenen	Nelson, P.	Seifert	Wilkin
DeLaForest	Hansen	Kohls	Newman	Sertich	Zellers
Demmer	Hausman	Krinkie	Nornes	Severson	Spk. Sviggum

A quorum was present.

Erhardt was excused until 1:00 p.m. Pelowski was excused until 1:45 p.m.

The Chief Clerk proceeded to read the Journal of the preceding day. Cox moved that further reading of the Journal be suspended and that the Journal be approved as corrected by the Chief Clerk. The motion prevailed.

REPORTS OF STANDING COMMITTEES

Knoblach from the Committee on Ways and Means to which was referred:

H. F. No. 310, A bill for an act relating to state lands; authorizing transfer of certain property interests in Ramsey County.

Reported the same back with the recommendation that the bill pass.

The report was adopted.

Krinkie from the Committee on Taxes to which was referred:

H. F. No. 785, A bill for an act relating to taxation; prohibiting increases in property tax rates for taxes payable in 2006 and certain subsequent years; prohibiting increases in local government and state fees; providing reimbursement to local governments for certain property tax and fee increases; appropriating money.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

"ARTICLE 1

TAXPAYER SATISFACTION SURVEY

Section 1. [275.063] [PROPOSED PROPERTY TAXES; TAXPAYER SATISFACTION SURVEY; DEFINITIONS.]

Subdivision 1. [DEFINITIONS.] For the purposes of this section and section 275.065, the following definitions apply.

Subd. 2. [BUDGET; COUNTIES.] For counties, "budget" means total government fund expenditures, as defined by the state auditor under section 375.169, less any expenditures for direct payments to recipients or providers for the human service aids listed below:

(1) Minnesota family investment program under chapters 256J and 256K;

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

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

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

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

(6) preadmission screening under section 256B.0911, and alternative care grants under section 256B.0913;

(7) general assistance medical care claims processing, medical transportation, and related costs under section 256D.03, subdivision 4;

(8) medical transportation and related costs under section 256B.0625, subdivisions 17 to 18a;

(9) group residential housing under section 256I.05, subdivision 8, transferred from programs in clauses (4) and (5); or

(10) any successor programs to those listed in clauses (1) to (9).

Subd. 3. [BUDGET; CITIES.] For cities, "budget" means total government fund expenditures, as defined by the state auditor under section 471.6965, less any expenditures for improvements or services that are specially assessed or charged under chapter 429, 430, 435, or the provisions of any other law or charter.

Subd. 4. [POPULATION.] "Population" of a city means the most recent population as determined by the state demographer under section 4A.02 or by the Metropolitan Council under section 477A.011, subdivision 3.

Subd. 5. [PROPERTY TAX LEVY SUBJECT TO APPROVAL; COUNTIES AND CITIES.] For a county or a city, "property tax levy subject to approval" means the jurisdiction's levy excluding any debt levy and any levy previously approved by the voters.

Subd. 6. [DEBT LEVY.] "Debt levy" means a levy to:

(1) pay the costs of principal and interest on bonded indebtedness;

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

(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

(iv) certificates of indebtedness used to fund an insufficiency in tax receipts or an insufficiency in other revenue sources.

(3) pay another city, town, county, or school district for principal and interest on general obligation debt; or

(4) 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.

Subd. 7. [STATE PROPERTY TAX CREDITS.] "State property tax credits" means any credits received under sections 273.119; 273.123; 273.135; 273.1384; 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10.

Subd. 8. [JURISDICTION SUBJECT TO TAXPAYER SATISFACTION SURVEY.] A "jurisdiction subject to the taxpayer satisfaction survey" means any county or any city with a population of 500 or greater.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2006 and subsequent years.

Sec. 2. Minnesota Statutes 2004, section 275.065, subdivision 1c, is amended to read:

Subd. 1c. [LEVY; SHARED, MERGED, CONSOLIDATED SERVICES.] If two or more taxing authorities are in the process of negotiating an agreement for sharing, merging, or consolidating services between those taxing authorities at the time the proposed levy is to be certified under subdivision 1, each taxing authority involved in the

negotiation shall certify its total proposed levy as provided in that subdivision, including a notification to the county auditor of the specific service involved in the agreement which is not yet finalized. The affected taxing authorities may amend their proposed levies under subdivision 1 until October 40 1 for levy amounts relating only to the specific service involved.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2006 and subsequent years.

Sec. 3. Minnesota Statutes 2004, 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 40 8 and on or before November 24 19 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.

(b) The commissioner of revenue shall prescribe the form of the notice. The form must be in the form prescribed by the commissioner.

(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 general tax, the final tax amount will be its proposed tax unless the town changes its levy at a special town meeting under section 365.52. ~~In the case of taxing authorities required to hold a public meeting under subdivision 6, 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, a telephone number for the taxing authority that taxpayers may call if they have questions related to the notice, 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) (e) The items listed below, shown separately by notice must state for each parcel, for both taxes payable in the current year and the proposed taxes payable in the following year each of the following tax amounts, net of state property tax credits: county tax, city or town tax, and state general tax, net of the residential and agricultural homestead credit under section 273.1384, voter approved school levy tax, other local school levy tax, and the sum of the tax amounts for all special taxing districts, the sum of the tax increment tax on captured tax capacity, if applicable, and the fiscal disparities areawide tax under chapter 276A or 473F, if applicable, and as a the total of tax amount for all taxing authorities:~~

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

~~(ii) the proposed tax amount.~~

~~If the county levy under clause (2) includes an amount for a lake improvement district as defined under sections 103B.501 to 103B.581, the amount attributable for that purpose must be separately stated from the remaining county levy amount.~~

~~In the case of a town or the state general 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 126C.17, subdivision 9, 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 the city of St. Paul, the levy for the St. Paul Library Agency must 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.~~

(f) The notice must state for each parcel the increase or decrease between the total taxes payable in the current year and the total proposed taxes, expressed as a percentage.

(g) The notice must state for each parcel an estimate of any additional tax that would apply to the property under any referenda pending at the November general election. Any amount shown under this item should be indicated as pending the results of referendum elections, and shall not be reflected in the total proposed net tax amount.

(h) 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)~~ (i) 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 of the proposed taxes are certified, including bond referenda and school district levy referenda November general election;

(3) a levy limit increase approved by the voters by the first Tuesday after the first Monday in November of the levy year as provided under section 275.73;

~~(4)~~ (4) amounts necessary to pay cleanup or other costs due to a natural disaster occurring after the date the proposed taxes are certified;

~~(5)~~ (4) amounts necessary to pay tort judgments against the taxing authority that become final after the date the proposed taxes are certified; and

~~(6)~~ (5) the contamination tax imposed on properties which received market value reductions for contamination.

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

~~(g) If the notice the taxpayer receives under this section lists the property as nonhomestead, and 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)~~ (k) 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 copy of the notice must be mailed or posted by the taxpayer by November ~~27~~ 22 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)~~ (l) For purposes of ~~this subdivision, subdivisions 5a and 6~~ section 276.04, "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.

(m) 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 one of that county's public hearing regularly scheduled board meetings.

(n) The governing body of a county, city, or school district may, with the county auditor's consent, include supplemental information with the statement of proposed property taxes about the impact of state aid increases or decreases on property tax increases or decreases and on the level of services provided in the affected jurisdiction. This supplemental information may include information for the following year, the current year, and for as many consecutive preceding years as deemed appropriate by the governing body of the county, city, or school district. It may include only information regarding:

- (1) the impact of inflation as measured by the implicit price deflator for state and local government purchases;
- (2) population growth and decline;
- (3) state or federal government action; and
- (4) other financial factors that affect the level of property taxation and local services that the governing body of the county, city, or school district may deem appropriate to include.

The information may be presented using tables, written narrative, and graphic representations and may contain instruction toward further sources of information or opportunity for comment.

The supplemental information for each jurisdiction must not exceed one side of an 8.5 inch by 11 inch sheet of paper.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2006 and subsequent years.

Sec. 4. Minnesota Statutes 2004, section 275.065, is amended by adding a subdivision to read:

Subd. 3b. [TAXPAYER SATISFACTION SURVEY.] (a) A taxpayer satisfaction survey form must be attached to or enclosed with each proposed property tax notice under subdivision 3. The form must include a property description or a code number that allows the property to be uniquely identified.

(b) The taxpayer satisfaction survey form shall present the following question for each jurisdiction subject to the taxpayer satisfaction survey: "Are you satisfied with the proposed property tax levy for (name of jurisdiction)?" A space will be provided for the respondent to answer "Yes" or "No" for each jurisdiction. The form must also inform the taxpayer that if the number of responses marked "No" exceeds the criteria specified in subdivision 3e, a referendum will be held on the question of the increase in the property tax levy subject to approval unless a recertification is made under subdivision 9 reducing the levy.

(c) The mailing shall include a non-postage-paid envelope preaddressed to the agency designated to process survey results. A taxpayer may respond to the survey by returning the completed survey form to the designated agency by December 1. The responding taxpayer is responsible for the postage.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2006 and subsequent years, except that two provisions are first effective for taxes payable in 2007: the requirement that the survey form include a property description or code number, and the requirement that the form notify taxpayers that the results of the survey could cause a referendum election to be held.

Sec. 5. Minnesota Statutes 2004, section 275.065, is amended by adding a subdivision to read:

Subd. 3c. [TAXPAYER SATISFACTION SURVEY ADDITIONAL INFORMATION.] The taxpayer satisfaction survey form must include the following information for the current year and for the proposed year, and show the percentage change between the years:

(1) the county government's (i) budget and (ii) property tax levy subject to approval; and

(2) if the property is located in a city which is a jurisdiction subject to the taxpayer satisfaction survey, the city government's (i) budget and (ii) property tax levy subject to approval.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2006 and subsequent years.

Sec. 6. Minnesota Statutes 2004, section 275.065, is amended by adding a subdivision to read:

Subd. 3d. [FORMAT OF TAXPAYER SATISFACTION SURVEY.] The commissioner of revenue shall prescribe the format of the survey form required under subdivisions 3b to 3f and present the form to the chairs of the house and senate tax committees for review. The form must be in the format prescribed by the commissioner.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2006 and subsequent years.

Sec. 7. Minnesota Statutes 2004, section 275.065, is amended by adding a subdivision to read:

Subd. 3e. [RESULTS OF TAXPAYER SATISFACTION SURVEY.] Each agency designated to receive taxpayer satisfaction surveys shall verify the authenticity of each form received, to the extent possible, and tabulate the results of the survey for each taxing jurisdiction. If the number of survey responses indicating dissatisfaction with the jurisdiction's proposed levy exceeds 20 percent of the total number of proposed tax notices distributed in the jurisdiction, and the proposed property tax levy subject to approval exceeds the property tax levy subject to approval for taxes payable in the current year, a referendum must be held on the last Tuesday in January. By December 8, the agency must announce the results of the survey for each taxing jurisdiction, including both the number of responses indicating that they are satisfied with the proposed levy and the number indicating that they are not satisfied.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2006 and subsequent years, except that the requirement of an automatic referendum election is effective beginning with taxes payable in 2007 and subsequent years.

Sec. 8. Minnesota Statutes 2004, section 275.065, is amended by adding a subdivision to read:

Subd. 3f. [DESIGNATED AGENCY.] For taxpayer satisfaction surveys pertaining to taxes payable in 2006, the designated agency is the county. For taxing jurisdictions located in more than one county, each county shall tabulate the results of the survey for the portion of the jurisdiction in the county, and forward the results to the jurisdiction's home county by December 7. The home county shall make available the survey results for the total jurisdiction.

By January 1, 2006, and each year thereafter, the commissioner of revenue shall designate the agency or agencies to receive and process taxpayer satisfaction surveys for taxes payable in the following year.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2006 and subsequent years.

Sec. 9. Minnesota Statutes 2004, section 275.065, subdivision 4, is amended to read:

Subd. 4. [COSTS.] ~~If the reasonable cost of~~ The county may apportion the cost of the county auditor's services and the cost of preparing and mailing the notice and survey required in this section ~~exceed the amount distributed to the county by the commissioner of revenue to administer this section, the taxing authority must reimburse the county for the excess cost. The excess cost must be apportioned~~ between taxing jurisdictions as follows:

- (1) one-third is allocated to the county;
- (2) one-third is allocated to cities and towns within the county; and
- (3) one-third is allocated to school districts within the county.

The amounts in clause (2) must be further apportioned among the cities and towns in the proportion that the number of parcels in the city and town bears to the number of parcels in all the cities and towns within the county. The amount in clause (3) must be further apportioned among the school districts in the proportion that the number of parcels in the school district bears to the number of parcels in all school districts within the county.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2006 and subsequent years.

Sec. 10. Minnesota Statutes 2004, section 275.065, subdivision 7, is amended to read:

Subd. 7. [CERTIFICATION OF COMPLIANCE.] At the time the taxing authority certifies its tax levy under section 275.07, it shall certify to the commissioner of revenue its compliance with this section. The certification must contain the information required by the commissioner of revenue to determine compliance with this section. If the commissioner determines that the taxing authority has failed to substantially comply with the requirements of this section, the commissioner of revenue shall notify the county auditor. The decision of the commissioner is final. When fixing rates under section 275.08 for a taxing authority that has not complied with this section, the county auditor must use the taxing authority's previous year's levy, plus any additional amounts necessary to ~~pay principal and interest on general obligation bonds of the taxing authority for which its taxing powers have been pledged if the bonds were issued before 1989~~ fund an increase in the authority's debt levy for taxes payable in the following year.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2006 and subsequent years.

Sec. 11. Minnesota Statutes 2004, section 275.065, is amended by adding a subdivision to read:

Subd. 9. [RECERTIFICATION OF PROPOSED LEVY.] By December 15, a jurisdiction subject to taxpayer satisfaction survey, that has been notified under subdivision 3e that the criteria for a referendum have been met, may elect to recertify its proposed levy so that the proposed property tax levy subject to approval is equal to the property tax levy subject to approval for taxes payable in the current year. If the jurisdiction recertifies its proposed levy to the county auditor according to the provisions of this subdivision, the auditor must cancel the referendum for that jurisdiction.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2007 and subsequent years.

Sec. 12. Minnesota Statutes 2004, section 275.065, is amended by adding a subdivision to read:

Subd. 10. [LEVY APPROVAL; REFERENDUM.] (a) If the designated agency has determined under subdivision 3e that a referendum is required, the increase in the property tax levy subject to approval shall not be effective until it has been submitted to the voters at a special election to be held on the last Tuesday in January, and a majority of votes cast on the question of approving the levy increase are in the affirmative. The commissioner of revenue shall prepare the form of the question to be presented at the referendum, which must reference only the amount of increase in the property tax levy subject to approval.

(b) If the majority of the votes cast on the question are in the affirmative, the proposed levy shall be certified as the final levy. If the majority of the votes cast on the question are in the negative, the levy shall be the property tax levy amount subject to approval for the previous year, plus the portion of the proposed levy that was not subject to referendum.

(c) A levy approved under this subdivision must be levied against the net tax capacity of the jurisdiction.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2007 and subsequent years.

Sec. 13. Minnesota Statutes 2004, section 275.07, subdivision 1, is amended to read:

Subdivision 1. [CERTIFICATION OF LEVY.] (a) Except as provided under paragraph (b), the taxes voted by cities, counties, school districts, and special districts shall be certified by the proper authorities to the county auditor on or before ~~five working days after~~ December 28 in each year. A jurisdiction whose levy is subject to a referendum under section 275.065, subdivision 10, shall at that time certify two levy amounts, one if the referendum is successful, and another if the referendum is not successful. A jurisdiction whose levy is subject to a referendum must recertify its final levy the day immediately following the election. A town must certify the levy adopted by the

town board to the county auditor by September 15 each year. If the town board modifies the levy at a special town meeting after September 15, the town board must recertify its levy to the county auditor on or before ~~five working days after~~ December 20 28. The taxes certified shall be reduced by the county auditor by the aid received under section 273.1398, subdivision 3. If a city, town, county, school district, or special district fails to certify its levy by that date, its levy shall be the amount levied by it for the preceding year.

(b)(i) The taxes voted by counties under sections 103B.241, 103B.245, and 103B.251 shall be separately certified by the county to the county auditor on or before ~~five working days after~~ December 20 28 in each year. The taxes certified shall not be reduced by the county auditor by the aid received under section 273.1398, subdivision 3. If a county fails to certify its levy by that date, its levy shall be the amount levied by it for the preceding year.

(ii) For purposes of the proposed property tax notice under section 275.065 and the property tax statement under section 276.04, for the first year in which the county implements the provisions of this paragraph, the county auditor shall reduce the county's levy for the preceding year to reflect any amount levied for water management purposes under clause (i) included in the county's levy.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2007 and subsequent years.

Sec. 14. [REPEALER.]

Minnesota Statutes 2004, section 275.065, subdivisions 5a, 6, 6b, and 8, are repealed.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2006 and subsequent years.

ARTICLE 2

PROPERTY TAXES

Section 1. Minnesota Statutes 2004, section 272.02, subdivision 47, is amended to read:

Subd. 47. [POULTRY LITTER BIOMASS GENERATION FACILITY; PERSONAL PROPERTY.] Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of an electrical generating facility that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

(1) be designed to utilize poultry litter as a primary fuel source; and

(2) be constructed for the purpose of generating power at the facility that will be sold pursuant to a contract approved by the Public Utilities Commission in accordance with the biomass mandate imposed under section 216B.2424.

Construction of the facility must be commenced after January 1, 2003, and before December 31, ~~2003~~ 2005. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

[EFFECTIVE DATE.] This section is effective for taxes levied in 2005, payable in 2006, and thereafter.

Sec. 2. Minnesota Statutes 2004, section 272.02, subdivision 53, is amended to read:

Subd. 53. [ELECTRIC GENERATION FACILITY; PERSONAL PROPERTY.] Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a 3.2 megawatt run-of-the-river hydroelectric generation facility and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

- (1) utilize two turbine generators at a dam site existing on March 31, 1994;
- (2) be located on ~~publicly owned land and~~ within 1,500 feet of a 13.8 kilovolt distribution substation; and
- (3) be eligible to receive a renewable energy production incentive payment under section 216C.41.

Construction of the facility must be commenced after ~~January 1, 2002~~ December 31, 2004, and before January 1, ~~2005~~ 2007. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

[EFFECTIVE DATE.] This section is effective for taxes levied in 2005, payable in 2006 and thereafter.

Sec. 3. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

Subd. 68. [ELECTRIC GENERATION FACILITY PERSONAL PROPERTY.] (a) Notwithstanding subdivision 9, clause (a), and section 453.54, subdivision 20, attached machinery and other personal property which is part of an electric generation facility that exceeds 150 megawatts of installed capacity and meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

- (1) be designed to utilize natural gas as a primary fuel;
 - (2) be owned and operated by a municipal power agency as defined in section 453.52, subdivision 8;
 - (3) have received the certificate of need under section 216B.243;
 - (4) be located outside the metropolitan area as defined under section 473.121, subdivision 2; and
 - (5) be designed to be a combined-cycle facility, although initially the facility will be operated as a simple-cycle combustion turbine.
- (b) To qualify under this subdivision, an agreement must be negotiated between the municipal power agency and the host city, for a payment in lieu of property taxes to the host city.
- (c) Construction of the facility must be commenced after January 1, 2004, and before January 1, 2006. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

[EFFECTIVE DATE.] This section is effective for assessment year 2005, taxes payable in 2006, and thereafter.

Sec. 4. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

Subd. 69. [ELECTRIC GENERATION FACILITY; PERSONAL PROPERTY.] (a) Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a simple-cycle combustion-turbine electric generation facility that exceeds 290 megawatts of installed capacity and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

- (1) be designed to utilize natural gas as a primary fuel;
- (2) not be owned by a public utility as defined in section 216B.02, subdivision 4;

(3) be located within 15 miles of the mainline existing interstate natural gas pipeline and within five miles of an existing electrical transmission substation;

(4) be located outside the metropolitan area as defined under section 473.121, subdivision 2; and

(5) be designed to provide peaking capacity energy and ancillary services and have satisfied all of the requirements under section 216B.243.

(b) Construction of the facility must be commenced after January 1, 2005, and before January 1, 2009. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

[EFFECTIVE DATE.] This section is effective for assessment year 2006, taxes payable in 2007, and thereafter.

Sec. 5. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

Subd. 70. [ELECTRIC GENERATION FACILITY; PERSONAL PROPERTY.] Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of an existing simple-cycle, combustion-turbine electric generation facility that exceeds 300 megawatts of installed capacity and that meets the requirements of this subdivision is exempt. At the time of the construction, the facility must:

(1) be designed to utilize natural gas as a primary fuel;

(2) be owned by a public utility as defined in section 216B.02, subdivision 4, and be located at or interconnected with an existing generating plant of the utility;

(3) be designed to provide peaking, emergency backup, or contingency services;

(4) satisfy a resource need identified in an approved integrated resource plan filed under section 216B.2422; and

(5) have received, by resolution, the approval from the governing body of the county and the city for the exemption of personal property under this subdivision.

Construction of the facility expansion must be commenced after January 1, 2004, and before January 1, 2005. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

[EFFECTIVE DATE.] This section is effective beginning with assessment year 2005, for taxes payable in 2006 and thereafter.

Sec. 6. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

Subd. 71. [ELECTRIC GENERATION FACILITY; PERSONAL PROPERTY.] (a) Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a simple-cycle combustion-turbine electric generation facility that exceeds 150 megawatts of installed capacity and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

(1) utilize natural gas as a primary fuel;

(2) be owned by an electric generation and transmission cooperative;

(3) be located within five miles of parallel existing 12-inch and 16-inch natural gas pipelines and a 69-kilovolt high-voltage electric transmission line;

(4) be designed to provide peaking, emergency backup, or contingency services;

(5) have received a certificate of need under section 216B.243 demonstrating demand for its capacity; and

(6) have received by resolution the approval from the governing body of the county and township in which the proposed facility is to be located for the exemption of personal property under this subdivision.

(b) Construction of the facility must be commenced after July 1, 2005, and before January 1, 2009. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

[EFFECTIVE DATE.] This section is effective for assessment year 2006 and thereafter, for taxes payable in 2007 and thereafter.

Sec. 7. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

Subd. 72. [ELECTRIC GENERATION FACILITY PERSONAL PROPERTY.] (a) Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of either a simple-cycle, combustion-turbine electric generation facility, or a combined-cycle, combustion-turbine electric generation facility that does not exceed 325 megawatts of installed capacity and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

(1) utilize either a simple-cycle or a combined-cycle combustion-turbine generator fueled by natural gas;

(2) be connected to an existing 115-kilovolt high-voltage electric transmission line that is within two miles of the facility;

(3) be located on an underground natural gas storage aquifer;

(4) be designed as either a peaking or intermediate load facility; and

(5) have received, by resolution, the approval from the governing body of the county for the exemption of personal property under this subdivision.

(b) Construction of the facility must be commenced after January 1, 2006, and before January 1, 2008. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

[EFFECTIVE DATE.] This section is effective for assessment year 2005, taxes payable in 2006, and thereafter.

Sec. 8. Minnesota Statutes 2004, 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 commerce 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 commerce shall use a definition of~~ calculate efficiency which calculates efficiency as the sum of:

- ~~(1) the useful electrical power output; plus~~
- ~~(2) the useful thermal energy output; plus~~
- ~~(3) the fuel energy of the useful chemical products;~~

all divided by the total energy input to the facility, expressed as a percentage as the ratio of useful energy outputs to energy inputs, expressed as a percentage, based on the performance of the facility's equipment during normal full load operation. 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~~ Higher Heating Value (HHV) 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 commerce with whatever information the commissioner deems necessary to make the determination. Within 30 days of the receipt of the necessary information, the commissioner of commerce shall certify the findings of the efficiency determination to the commissioner of revenue and to the applicant. The commissioner of commerce 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.

[EFFECTIVE DATE.] This section is effective for assessment year 2005 and thereafter, for taxes payable in 2006 and thereafter.

Sec. 9. Minnesota Statutes 2004, section 272.0211, subdivision 2, is amended to read:

Subd. 2. [SLIDING SCALE EXCLUSION.] Based upon the efficiency determination provided by the commissioner of commerce as described in subdivision 1, the commissioner of revenue shall subtract ~~five~~ eight percent of the taxable market value of the qualifying property for each percentage point that the efficiency of the specific facility, as determined by the commissioner of commerce, is above ~~35~~ 40 percent. The reduction in taxable market value shall be reflected in the taxable market value of the facility beginning with the assessment year immediately following the determination. For a facility that is assessed by the county in which the facility is located, the commissioner of revenue shall certify to the assessor of that county the percentage of the taxable market value of the facility to be excluded.

[EFFECTIVE DATE.] This section is effective for assessment year 2005 and thereafter, for taxes payable in 2006 and thereafter.

Sec. 10. [272.0275] [PERSONAL PROPERTY USED TO GENERATE ELECTRICITY; EXEMPTION.]

Subdivision 1. [NEW PLANT CONSTRUCTION AFTER JANUARY 1, 2005.] For a new generating plant built and placed in service after January 1, 2005, its personal property used to generate electric power is exempt from property taxation, including under section 453.54, subdivision 20, if an exemption of generation personal property form, with an attached siting agreement, is filed with the Department of Revenue. The form must be signed by the utility, and the county and city or town where the facility is proposed to be located.

Subd. 2. [EXISTING PLANT; INCREASE IN NAMEPLATE CAPACITY.] For a plant existing or under construction on the day of final enactment of this act, a partial exemption applies if the nameplate capacity of the plant is increased from that existing on the day of final enactment of this act, and if an exemption of generation personal property form, with an attached siting agreement is filed with the Department of Revenue. The form must be signed by the utility, and the county and city or town where the facility expansion is located. This partial exemption must be computed by taking the increase in megawatts over the total megawatt nameplate capacity after construction is complete, multiplied by the market value of all taxable tools, implements, and machinery of the generating plant as determined by the commissioner of revenue. The resulting exemption is effective beginning in the next assessment year.

Subd. 3. [IN-LIEU PAYMENT; LIMITATION.] If an in-lieu payment or service fee is negotiated between a facility exempted under this section and the county, city, or town where the facility is located, the payment or fee in any year may not exceed the property tax revenue that the jurisdiction would receive from the facility if it were not exempt.

Subd. 4. [DEFINITION; APPLICABILITY.] For purposes of this section, "personal property" means tools, implements, and machinery of the generating plant. The exemption under this section does not apply to transformers, transmission lines, distribution lines, or any other tools, implements, and machinery that are part of an electric substation, wherever located.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 11. Minnesota Statutes 2004, section 273.055, is amended to read:

273.055 [RESOLUTION TO APPOINT ASSESSOR; TERMINATION OF LOCAL ASSESSOR'S OFFICE.]

The election to provide for the assessment of property by the county assessor as provided in section 273.052 shall be made by the board of county commissioners by resolution with at least a two-thirds majority vote. Such resolution shall be effective at the second assessment date following the adoption of the resolution. Notwithstanding any other provisions contained in any other section of law or charter, the office of all township and city assessors in such county shall be terminated 90 days before the assessment date at which the election becomes effective, except that if part of such taxing district is located in a county not electing to have the county assessor assess all property as provided in section 273.052, the office will continue but shall apply only to such property in a nonelecting county.

No township or city assessor in another county shall assess any property in an electing county, but shall turn over all tax records relating to property to the county assessor 90 days before the assessment date at which the county's election becomes effective.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 12. Minnesota Statutes 2004, section 273.0755, is amended to read:

273.0755 [TRAINING AND EDUCATION OF PROPERTY TAX PERSONNEL.]

(a) Beginning with the four-year period starting on July 1, 2000, every person licensed by the state Board of Assessors at the Accredited Minnesota Assessor level or higher, shall successfully complete a week-long Minnesota laws course sponsored by the Department of Revenue at least once in every four-year period. An assessor need not attend the course if they successfully pass the test for the course.

(b) The commissioner of revenue may require that each county, and each city for which the city assessor performs the duties of county assessor, have (i) a person on the assessor's staff who is certified by the Department of Revenue in sales ratio calculations, (ii) an officer or employee who is certified by the Department of Revenue in tax calculations, and (iii) an officer or employee who is certified by the Department of Revenue in the proper preparation of abstracts of assessment. The commissioner of revenue may require that each county have an officer or employee who is certified by the Department of Revenue in the proper preparation of abstracts of tax lists.

(c) Beginning with the four-year educational licensing period starting on July 1, 2004, every Minnesota assessor licensed by the State Board of Assessors must attend and participate in a seminar that focuses on ethics, professional conduct and the need for standardized assessment practices developed and presented by the commissioner of revenue. This requirement must be met at least once in every subsequent four-year period. This requirement applies to all assessors licensed for one year or more in the four-year period.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 13. Minnesota Statutes 2004, section 273.11, subdivision 1a, is amended to read:

Subd. 1a. **[LIMITED MARKET VALUE.]** In the case of all real property ~~classified as agricultural homestead or nonhomestead, residential homestead or nonhomestead, timber, or noncommercial seasonal residential recreational,~~ the assessor shall compare the value with the taxable portion of the value determined in the preceding assessment, except that for class 1c resort property for assessment year 2005, the assessor shall determine the limited market value as provided in subdivision 1b.

~~For assessment year 2002, the amount of the increase shall not exceed the greater of (1) ten percent of the value in the preceding assessment, or (2) 15 percent of the difference between the current assessment and the preceding assessment.~~

~~For assessment year 2003, the amount of the increase shall not exceed the greater of (1) 12 percent of the value in the preceding assessment, or (2) 20 percent of the difference between the current assessment and the preceding assessment.~~

For assessment ~~year~~ years 2004, 2005, and 2006, the amount of the increase shall not exceed the greater of (1) 15 percent of the value in the preceding assessment, or (2) 25 percent of the difference between the current assessment and the preceding assessment.

For assessment year ~~2005~~ 2007, the amount of the increase shall not exceed the greater of (1) 15 percent of the value in the preceding assessment, or (2) 33 percent of the difference between the current assessment and the preceding assessment.

For assessment year ~~2006~~ 2008, the amount of the increase shall not exceed the greater of (1) 15 percent of the value in the preceding assessment, or (2) 50 percent of the difference between the current assessment and the preceding assessment.

This limitation shall not apply to increases in value due to improvements. For purposes of this subdivision, the term "assessment" means the value prior to any exclusion under subdivision 16.

The provisions of this subdivision shall be in effect through assessment year ~~2006~~ 2008 as provided in this subdivision.

For purposes of the assessment/sales ratio study conducted under section 127A.48, and the computation of state aids paid under chapters 122A, 123A, 123B, 124D, 125A, 126C, 127A, and 477A, market values and net tax capacities determined under this subdivision and subdivision 16, shall be used.

[EFFECTIVE DATE.] This section is effective for assessment years 2005 through 2008, for taxes payable in 2006 through 2009.

Sec. 14. Minnesota Statutes 2004, section 273.11, is amended by adding a subdivision to read:

Subd. 1b. [CLASS 1C RESORTS; 2005 ASSESSMENT ONLY.] For assessment year 2005, the valuation on class 1c resort property shall not exceed the greater of (1) 130 percent of the value of its 2003 assessment, or (2) its value for the 2003 assessment year plus 40 percent of the difference in value between its 2005 assessment and its 2003 assessment. The valuation increase on class 1c resort property for assessment years 2006 and thereafter shall be determined as provided under subdivision 1a.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 15. Minnesota Statutes 2004, section 273.111, is amended by adding a subdivision to read:

Subd. 86. [APPLICATIONS; DENIED BY COUNTY.] Beginning with applications filed for the 2005 assessment year, all applications for deferment of taxes and assessment under this section that have been denied by the county shall be forwarded to the commissioner of revenue by the county assessor within 30 days of denial. For the purpose of monitoring compliance with this section, the commissioner of revenue shall compile a report identifying all denied applications, the reason for the denial and any commissioner action or recommendation. This report will be annually submitted to the chairs of the house and senate tax committees on or before February 1.

[EFFECTIVE DATE.] This section is effective for applications filed after the day following final enactment.

Sec. 16. Minnesota Statutes 2004, section 273.123, subdivision 7, is amended to read:

Subd. 7. [LOCAL OPTION; OTHER PROPERTY.] The owner of homestead property not qualifying for an adjustment in valuation pursuant to subdivisions 1 to 5 or of nonhomestead property may receive a reduction in the amount of taxes payable on the property for the year in which the destruction occurs and in the following year if:

(a) 50 percent or more of the homestead dwelling or other structure, as established by the county assessor, is unintentionally or accidentally destroyed or contaminated by mold and the homestead is uninhabitable or the other structure is not usable;

(b) the owner of the property makes written application to the county assessor as soon as practical after the damage has occurred; and

(c) the owner of the property makes written application to the county board.

The county board may grant a reduction in the amount of property tax which the owner must pay on the qualifying property in the year of destruction and in the following year. Any reduction in the amount of tax payable which is authorized by county board action shall be calculated based upon the number of months that the home is uninhabitable or the other structure is unusable. The amount of net tax due from the taxpayer shall be multiplied by a fraction, the numerator of which is the number of months the dwelling was occupied by that taxpayer, or the number of months the other structure was used by the taxpayer, and the denominator of which is 12. For purposes of this subdivision, if a structure is occupied or used for a fraction of a month, it is considered a month. "Net tax" is defined as the amount of tax after the subtraction of all of the state paid property tax credits. If application is made following payment of all property taxes due for the year of destruction, the amount of the reduction granted by the county board shall be refunded to the taxpayer by the county treasurer as soon as practical.

Any reductions or refunds approved by the county board shall not be subject to approval by the commissioner of revenue.

The county board may levy in the following year the amount of tax dollars lost to the county government as a result of the reductions granted pursuant to this subdivision.

[EFFECTIVE DATE.] This section is effective for property taxes payable in 2005 and thereafter.

Sec. 17. Minnesota Statutes 2004, section 273.125, subdivision 8, is amended to read:

Subd. 8. [MANUFACTURED HOMES; SECTIONAL STRUCTURES.] (a) In this section, "manufactured home" means a structure transportable in one or more sections, which is built on a permanent chassis, and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and contains the plumbing, heating, air conditioning, and electrical systems in it. Manufactured home includes any accessory structure that is an addition or supplement to the manufactured home and, when installed, becomes a part of the manufactured home.

(b) Except as provided in paragraph (c), a manufactured home that meets each of the following criteria must be valued and assessed as an improvement to real property, the appropriate real property classification applies, and the valuation is subject to review and the taxes payable in the manner provided for real property:

(1) the owner of the unit holds title to the land on which it is situated;

(2) the unit is affixed to the land by a permanent foundation or is installed at its location in accordance with the Manufactured Home Building Code in sections 327.31 to 327.34, and rules adopted under those sections, or is affixed to the land like other real property in the taxing district; and

(3) the unit is connected to public utilities, has a well and septic tank system, or is serviced by water and sewer facilities comparable to other real property in the taxing district.

(c) A manufactured home that meets each of the following criteria must be assessed at the rate provided by the appropriate real property classification but must be treated as personal property, and the valuation is subject to review and the taxes payable in the manner provided in this section:

(1) the owner of the unit is a lessee of the land under the terms of a lease, or the unit is located in a manufactured home park, campground, or resort;

(2) the unit is affixed to the land by a permanent foundation or is installed at its location in accordance with the Manufactured Home Building Code contained in sections 327.31 to 327.34, and the rules adopted under those sections, or is affixed to the land like other real property in the taxing district; and

(3) the unit is connected to public utilities, has a well and septic tank system, or is serviced by water and sewer facilities comparable to other real property in the taxing district.

(d) Sectional structures must be valued and assessed as an improvement to real property if the owner of the structure holds title to the land on which it is located or is a qualifying lessee of the land under section 273.19. In this paragraph "sectional structure" means a building or structural unit that has been in whole or substantial part manufactured or constructed at an off-site location to be wholly or partially assembled on-site alone or with other units and attached to a permanent foundation.

(e) The commissioner of revenue may adopt rules under the Administrative Procedure Act to establish additional criteria for the classification of manufactured homes and sectional structures under this subdivision.

(f) A storage shed, deck, or similar improvement constructed on property that is leased or rented as a site for a manufactured home, sectional structure, park trailer, or travel trailer is taxable as provided in this section. In the case of property that is leased or rented as a site for a travel trailer, a storage shed, deck, or similar improvement on the site that is considered personal property under this paragraph is taxable only if its total estimated market value is over \$500. The property is taxable as personal property to the lessee of the site if it is not owned by the owner of the site. The property is taxable as real estate if it is owned by the owner of the site. As a condition of permitting the owner of the manufactured home, sectional structure, park trailer, or travel trailer to construct improvements on the leased or rented site, the owner of the site must obtain the permanent home address of the lessee or user of the site. The site owner must provide the name and address to the assessor upon request.

[EFFECTIVE DATE.] For purposes of Minnesota Statutes, sections 272.12 and 272.121, this section is effective the day following final enactment. For all other purposes, this section is effective beginning with taxes payable in 2006, except that for any property treated as real property under this section for the 2005 assessment that will be treated as personal property under this section for the 2006 assessment, an adjustment must be made to the 2005 assessment roll on or before July 1, 2005, to reflect those changes.

Sec. 18. [273.126] [CERTIFICATION OF LOW-INCOME RENTAL PROPERTY.]

Subdivision 1. [REQUIREMENT.] Low-income rental property is entitled to classification as class 4d under section 273.13, subdivision 25, paragraph (e), if at least 75 percent of the units in the rental housing property meet any of the following qualifications:

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

(2) the units are rent-restricted 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) the units 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.

Subd. 2. [APPLICATION.] (a) Application for certification under this section must be filed by March 31 of the levy year, or at a later date if the Housing Finance Agency deems practicable. The application must be filed with the Housing Finance Agency, on a form prescribed by the agency, and must contain the information required by the Housing Finance Agency.

(b) Each application must include:

(1) the property tax identification number;

(2) evidence that the property meets the requirements of subdivision 1; and

(3) a true and correct copy of the financial statement related to the property.

(c) The Housing Finance Agency may charge an application fee approximately equal to the costs of processing and reviewing the applications but not to exceed \$10 per unit. If imposed, the applicant must pay the application fee to the Housing Finance Agency. The fee must be deposited in the housing development fund.

Subd. 3. [CERTIFICATION.] By June 1 of each levy year, the Housing Finance Agency must certify to local assessors the properties that are qualified under this section and the number of units in the building that qualify. In making the certification, the Housing Finance Agency may rely on the application and any other supporting information that the agency deems necessary from the property owner.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2006 and subsequent years.

Sec. 19. Minnesota Statutes 2004, section 273.13, subdivision 22, is amended to read:

Subd. 22. [CLASS 1.] (a) Except as provided in subdivision 23 and in paragraphs (b) and (c), real estate which is residential and used for homestead purposes is class 1a. In the case of a duplex or triplex in which one of the units is used for homestead purposes, the entire property is deemed to be used for homestead purposes. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

The first \$500,000 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 \$500,000 has a class rate of 1.25 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 person who is blind as defined in section 256D.35, or the blind person and the blind person's spouse; or

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

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

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

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

(3) any person who is permanently and totally disabled.

Property is classified and assessed under clause (3) 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 revenue 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~~ \$50,000 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 class rate using the rates for class 1a or class 2a property, whichever is appropriate, of similar market value.

(c) Class 1c property is commercial use real property that abuts a lakeshore line and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner, which includes a dwelling occupied as a homestead by a shareholder of a corporation that owns the resort, a partner in a partnership that owns the resort, or a member of a limited liability company that owns the resort even if the title to the homestead is held by the corporation, partnership, or limited liability company. 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. The first ~~\$500,000~~ \$300,000 of market value of class 1c property has a class rate of ~~one 0.55~~ percent, and the ~~remaining next \$1,500,000 of market value of class 1c property has a class rate of one percent, 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. Any remaining market value is class 4c property.~~ 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 salable 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).

[EFFECTIVE DATE.] This section is effective for taxes levied in 2005, payable in 2006, and thereafter.

Sec. 20. Minnesota Statutes 2004, section 273.13, subdivision 25, is amended to read:

Subd. 25. [CLASS 4.] (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more, excluding property qualifying for class 4d. 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. The market value of class 4a property has a class rate of ~~1.8 percent for taxes payable in 2002, 1.5 percent for taxes payable in 2003, and 1.25 percent for taxes payable in 2004 and thereafter, except that class 4a property consisting of a structure for which construction commenced after June 30, 2001, has a class rate of 1.25 percent of market value for taxes payable in 2003 and subsequent years.~~

(b) Class 4b includes:

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

(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; and

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

The market value of class 4b property has a class rate of ~~1.5 percent for taxes payable in 2002, and~~ 1.25 percent ~~for taxes payable in 2003 and thereafter.~~

(c) Class 4bb includes:

(1) nonhomestead residential real estate containing one unit, other than seasonal residential recreational property; 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 property has the same class rates as class 1a property under subdivision 22.

Property that has been classified as seasonal residential recreational 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 residential recreational for commercial purposes, at least 40 percent of the annual gross lodging receipts related to the property must be from business conducted 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 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) 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

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

(4) postsecondary 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;

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

(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;

(7) a leased or privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land is on an airport owned or operated by a city, town, county, Metropolitan Airports Commission, or group thereof; and

(ii) the land lease, or any ordinance or signed agreement restricting the use of the leased premise, prohibits commercial activity performed at the hangar.

If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must be filed by the new owner with the assessor of the county where the property is located within 60 days of the sale; ~~and~~

(8) a privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land abuts a public airport; and

(ii) the owner of the aircraft storage hangar provides the assessor with a signed agreement restricting the use of the premises, prohibiting commercial use or activity performed at the hangar; and

(9) residential real estate, a portion of which is used by the owner for homestead purposes, and that is also a place of lodging, if all of the following criteria are met:

(i) rooms are provided for rent to transient guests that generally stay for periods of 14 or fewer days;

(ii) meals are provided to persons who rent rooms, the cost of which is incorporated in the basic room rate;

(iii) meals are not provided to the general public except for special events on fewer than seven days in the calendar year preceding the year of the assessment; and

(iv) the owner is the operator of the property.

The market value subject to the 4c classification under this clause is limited to five rental units. Any rental units on the property in excess of five, must be valued and assessed as class 3a. The portion of the property used for purposes of a homestead by the owner must be classified as class 1a property under subdivision 22.

Class 4c property has a class rate of 1.5 percent of market value, except that (i) each parcel of seasonal residential recreational property not used for commercial purposes has the same class rates as class 4bb property, (ii) manufactured home parks assessed under clause (5) have the same class rate as class 4b property, (iii) commercial-use seasonal residential recreational property has a class rate of one percent for the first \$500,000 of market value, which includes any market value receiving the one percent rate under subdivision 22, and 1.25 percent for the remaining market value, (iv) the market value of property described in clause (4) has a class rate of one percent, (v) the market value of property described in clauses (2) and (6) has a class rate of 1.25 percent, and (vi) that portion of the market value of property in clause (8) qualifying for class 4c property has a class rate of 1.25 percent.

(e) Class 4d property is qualifying low-income rental housing certified to the assessor by the Housing Finance Agency under section 273.126, subdivision 3. If only a portion of the units in the building qualify as low-income rental housing units as certified under section 273.126, subdivision 3, only the proportion of qualifying units to the total number of units in the building qualify for class 4d. The remaining portion of the building shall be classified by the assessor based upon its use. Class 4d also includes the same proportion of land as the qualifying low-income rental housing units are to the total units in the building. 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 1.0 percent.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2006 and subsequent years.

Sec. 21. Minnesota Statutes 2004, section 273.13, is amended by adding a subdivision to read:

Subd. 34. [HOMESTEAD OF DISABLED VETERAN OR SURVIVING SPOUSE.] (a) The first \$200,000 of market value of property qualifying for homestead classification under subdivision 22 or 23 is excluded in determining the property's taxable market value if it serves as the homestead of a military veteran, as defined in section 197.447, who has a total and permanent service-connected disability. To qualify for exclusion under this subdivision, the veteran must have been honorably discharged from the United States armed forces, as indicated by United States Government Form DD214 or other official military discharge papers, and must be certified by the United States Veterans Administration as having a total (100 percent) and permanent service-connected disability.

(b) If a disabled veteran qualifying for a valuation exclusion under paragraph (a) predeceases the veteran's spouse, and if upon the death of the veteran the spouse holds the legal or beneficial title to the homestead and permanently resides there, the exclusion shall carry over to the benefit of the veteran's spouse until such time as the spouse remarries or sells or otherwise disposes of the property.

(c) In the case of an agricultural homestead, only the portion of the property consisting of the house and garage and immediately surrounding one acre of land qualifies for the valuation exclusion under this subdivision.

(d) A property owner attempting to first qualify for a valuation exclusion under this subdivision must apply to the assessor by July 1 of the assessment year, except that for assessment year 2005 application may be made until September 1, 2005. The application must be accompanied by supporting documentation as required by the assessor. Once a property has been accepted for a valuation exclusion under this subdivision, the property continues to qualify until there is a change in ownership of the property.

(e) The value of any qualifying property in excess of \$200,000 must be treated exactly the same as if the first \$200,000 in value had not been excluded, for purposes of determining the appropriate class rate. A property qualifying for exclusion under this subdivision shall not be eligible for the credit under section 273.1384, subdivision 1.

[EFFECTIVE DATE.] This section is effective for assessment year 2005 and thereafter, for taxes payable in 2006 and thereafter.

Sec. 22. Minnesota Statutes 2004, section 274.01, subdivision 1, is amended to read:

Subdivision 1. [ORDINARY BOARD; MEETINGS, DEADLINES, GRIEVANCES.] (a) The town board of a town, or the council or other governing body of a city, is the board of appeal and equalization except (1) in cities whose charters provide for a board of equalization or (2) in any city or town that has transferred its local board of review power and duties to the county board as provided in subdivision 3. The county assessor shall fix a day and time when the board or the board of equalization shall meet in the assessment districts of the county. Notwithstanding any law or city charter to the contrary, a city board of equalization shall be referred to as a board of appeal and equalization. On or before February 15 of each year the assessor shall give written notice of the time to the city or town clerk. Notwithstanding the provisions of any charter to the contrary, the meetings must be held between April 1 and May 31 each year. The clerk shall give published and posted notice of the meeting at least ten days before the date of the meeting.

The board shall meet at the office of the clerk to review the assessment and classification of property in the town or city. No changes in valuation or classification which are intended to correct errors in judgment by the county assessor may be made by the county assessor after the board has adjourned in those cities or towns that hold a local board of review; however, corrections of errors that are merely clerical in nature or changes that extend homestead treatment to property are permitted after adjournment until the tax extension date for that assessment year. The changes must be fully documented and maintained in the assessor's office and must be available for review by any person. A copy of the changes made during this period in those cities or towns that hold a local board of review must be sent to the county board no later than December 31 of the assessment year.

(b) The board shall determine whether the taxable property in the town or city has been properly placed on the list and properly valued by the assessor. If real or personal property has been omitted, the board shall place it on the list with its market value, and correct the assessment so that each tract or lot of real property, and each article, parcel, or class of personal property, is entered on the assessment list at its market value. No assessment of the property of any person may be raised unless the person has been duly notified of the intent of the board to do so. On application of any person feeling aggrieved, the board shall review the assessment or classification, or both, and correct it as appears just. ~~The board may not make an individual market value adjustment or classification change that would benefit the property in cases where the owner or other person having control over the property will not permit the assessor to inspect the property and the interior of any buildings or structures.~~

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

(d) A local board does not have authority to grant an exemption or to order property removed from the tax rolls.

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

(f) Except as provided in subdivision 3, if a person fails to appear in person, by counsel, or by written communication before the board after being duly notified of the board's intent to raise the assessment of the property, or if a person feeling aggrieved by an assessment or classification fails to apply for a review of the assessment or classification, the person may not appear before the county board of appeal and equalization for a review of the assessment or classification. This paragraph does not apply if an assessment was made after the local board meeting, as provided in section 273.01, or if the person can establish not having received notice of market value at least five days before the local board meeting.

(g) The local board must complete its work and adjourn within 20 days from the time of convening stated in the notice of the clerk, unless a longer period is approved by the commissioner of revenue. No action taken after that date is valid. All complaints about an assessment or classification made after the meeting of the board must be heard and determined by the county board of equalization. A nonresident may, at any time, before the meeting of the board file written objections to an assessment or classification with the county assessor. The objections must be presented to the board at its meeting by the county assessor for its consideration.

Sec. 23. Minnesota Statutes 2004, section 275.025, subdivision 4, is amended to read:

Subd. 4. [APPORTIONMENT AND LEVY OF STATE GENERAL TAX.] Ninety-five percent of the state general tax must be distributed among the counties levied by applying a uniform rate to each county's all commercial-industrial tax capacity and its five percent of the state general tax must be levied by applying a uniform rate to all seasonal residential recreational tax capacity. ~~Within each county, the tax must be levied by applying a uniform rate against commercial-industrial tax capacity and seasonal residential recreational tax capacity. On or~~

before October 1 each year, the commissioner of revenue shall certify ~~a~~ the preliminary state general levy ~~rate~~ rates to each county auditor that must be used to prepare the notices of proposed property taxes for taxes payable in the following year. By January 1 of each year, the commissioner shall certify the final state general levy rate to each county auditor that shall be used in spreading taxes.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2006 and thereafter.

Sec. 24. Minnesota Statutes 2004, 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 tax from the parcel of real property for which a particular tax statement is prepared. The dollar amounts attributable to the county, the state 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 except that 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 listed on a separate line directly under the appropriate county's levy. If the county levy under this paragraph includes an amount for a lake improvement district as defined under sections 103B.501 to 103B.581, the amount attributable for that purpose must be separately stated from the remaining county levy amount. In the case of Ramsey County, if the county levy under this paragraph includes an amount for public library service under section 134.07, the amount attributable for that purpose may be separated from the remaining county levy amount. 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.

(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 122A, 123A, 123B, 124D, 125A, 126C, and 127A;
 - (ii) local government aids for cities, towns, and counties under ~~chapter 477A~~ sections 477A.011 to 477A.04; and
 - (iii) disparity reduction aid under section 273.1398;

(5) for homestead residential and agricultural properties, the credits under section 273.1384;

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

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

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

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

[EFFECTIVE DATE.] This section is effective for property tax statements for taxes payable in 2006 and thereafter.

Sec. 25. [280.44] [NOTIFICATION TO HOMESTEAD PROPERTY OWNERS; TAX DELINQUENCY.]

In addition to other notices required under this chapter, the county auditor shall notify all taxpayers owning homestead property within the county whose real property taxes on that homestead are currently delinquent and also were delinquent in the preceding calendar year. The notification must be mailed sometime between June 1 and August 1 in the year following the second year that property taxes were not paid. The notification must contain a telephone number and an e-mail address for the county auditor's office to aid the taxpayer in contacting the county to discuss any questions relating to the tax delinquency. The notification must contain a list of the various assistance programs and other options that might be available to the taxpayer to pay the delinquent taxes including, but not limited to, the senior citizens' property tax deferral under chapter 290B, partial property tax payments, and a confession of judgment under section 279.37. The notice must inform the taxpayer of the state-paid property tax refund and the additional property tax refund under chapter 290A which may be available to the taxpayer once the delinquent taxes have been satisfied. The notice must also state the number of years before the property will forfeit if the taxes are not paid or any installment plan initiated. For purposes of this section, "homestead" property means property classified under section 273.13, subdivision 22 or 23, paragraph (a).

[EFFECTIVE DATE.] This section is effective for property tax delinquencies beginning January 1, 2006, provided that for calendar year 2006, the county auditor shall notify the owners of each homestead property in the county that has been delinquent for two or more years.

Sec. 26. Minnesota Statutes 2004, section 290A.03, subdivision 11, is amended to read:

Subd. 11. **[RENT CONSTITUTING PROPERTY TAXES.]** "Rent constituting property taxes" means 49 percent of the gross rent actually paid in cash, or its equivalent, or the portion of rent the amount of gross rent actually paid in cash, or its equivalent, which is attributable (1) to the property tax paid on the unit or (2) to the amount 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. The amount of rent attributable to property taxes paid or payments in lieu made on the unit must be determined by multiplying the gross rent paid by the claimant for the

calendar year for the unit by a fraction, the numerator of which is the net tax on the property where the unit is located and the denominator of which is the total scheduled rent. In no case may the rent constituting property taxes exceed 50 percent of the gross rent paid by the claimant during that calendar year. In the case of a claimant who resides in a unit for which (1) a rent subsidy is paid to, or for, the claimant based on the income of the claimant or the claimant's family, or (2) a subsidy is paid to a public housing authority that owns or operates the claimant's rental unit, pursuant to United States Code, title 42, section 1437c, 20 percent of gross rent actually paid in cash or its equivalent shall be the claimant's "rent constituting property taxes paid." For purposes of this subdivision, "rent subsidy" does not include any housing assistance received under the Minnesota family investment program, general assistance, Minnesota supplemental assistance, supplemental security income, or similar income maintenance programs.

[EFFECTIVE DATE.] This section is effective for claims based on rent paid in 2005 and following years.

Sec. 27. Minnesota Statutes 2004, section 290A.03, subdivision 13, is amended to read:

Subd. 13. [PROPERTY TAXES PAYABLE.] "Property taxes payable" means the property tax exclusive of special assessments, penalties, and interest payable on a claimant's homestead after deductions made under sections 273.135, 273.1384, 273.1391, 273.42, subdivision 2, and any other state paid property tax credits in any calendar year, and after any refund claimed and allowable under section 290A.04, subdivision 2h, that is first payable in the year that the property tax is payable. 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 ~~19 percent~~ the amount of the gross rent paid in the preceding year for the site on which the homestead is located, which is attributable to the net tax paid on the site. The amount attributable to property taxes must be determined by multiplying the net tax on the parcel by a fraction, the numerator of which is the gross rent paid for the calendar year for the site and the denominator of which is the gross rent paid for the calendar year for the parcel. When a homestead is owned by two or more persons as joint tenants or tenants in common, such tenants shall determine between them which tenant may claim the property taxes payable on the homestead. If they are unable to agree, the matter shall be referred to the commissioner of revenue whose decision shall be final. Property taxes are considered payable in the year prescribed by law for payment of the taxes.

In the case of a claim relating to "property taxes payable," the claimant must have owned and occupied the homestead on January 2 of the year in which the tax is payable and (i) the property must have been classified as homestead property pursuant to section 273.124, 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.

[EFFECTIVE DATE.] This section is effective for claims based on rent paid in 2005 and following years.

Sec. 28. Minnesota Statutes 2004, section 290A.03, is amended by adding a subdivision to read:

Subd. 16. [TOTAL SCHEDULED RENT.] "Total scheduled rent" means the sum of the monthly rents assigned to the residential rental units in the property multiplied by 12. The rents must be an arm's-length rental, including garage rents if any, but not including charges for medical services furnished by the landlord as a part of the rental agreement. In determining total scheduled rent, no deduction is allowed for vacant units, uncollected rent, or reduced cash rents in units occupied by employees or agents of the owner.

[EFFECTIVE DATE.] This section is effective for claims based on rent paid in 2005 and following years.

Sec. 29. Minnesota Statutes 2004, section 290A.03, is amended by adding a subdivision to read:

Subd. 17. [NET TAX.] "Net tax" means:

(1) the property tax, exclusive of special assessments, interest, and penalties, and after reduction for any state paid property tax credits as required in subdivision 13 except for the reduction under section 273.13, subdivisions 22 and 23; or

(2) the payments made in lieu of ad valorem taxes, including payments of special assessments imposed in lieu of ad valorem taxes,

for the calendar year in which the rent was paid. If a portion of the property is occupied as a homestead or is used for other than rental purposes, the net tax is the amount of tax reduced by the percentage that the nonrental use comprises of the total square footage of the building. If a portion of the property is used for purposes other than for residential rental and none of the property is occupied as a homestead, the net tax is the amount of the tax of the parcel multiplied by a fraction, the numerator of which is the total net tax capacity of the parcel. If a portion of the property is used for other than rental residential purposes, the county treasurer shall list on the property tax statement the amount of net tax pertaining to the rental residential portion of the property.

The amount of the net tax must not be reduced by an abatement or a court-ordered reduction in the property tax on the property made after the certificate of rent paid has been provided to the renter.

[EFFECTIVE DATE.] This section is effective for claims based on rent paid in 2005 and following years.

Sec. 30. Minnesota Statutes 2004, section 290A.07, is amended by adding a subdivision to read:

Subd. 5. [EARLY PAYMENT; E-FILE CLAIMS.] The commissioner may pay a claim up to 30 days earlier than the first permitted date under subdivision 2a or 3 if the claim is submitted by electronic means.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 31. Minnesota Statutes 2004, section 290A.19, is amended to read:

290A.19 [OWNER OR MANAGING AGENT TO FURNISH RENT CERTIFICATE.]

(a) The owner or managing agent of any property for which rent is paid for occupancy as a homestead must furnish a certificate of rent paid to a person who is a renter on December 31, in the form prescribed by the commissioner. If the renter moves before December 31, the owner or managing agent may give the certificate to the renter at the time of moving, or mail the certificate to the forwarding address if an address has been provided by the renter. The certificate must be made available to the renter before February 1 of the year following the year in which the rent was paid. The owner or managing agent must retain a duplicate of each certificate or an equivalent record showing the same information for a period of three years. The duplicate or other record must be made available to the commissioner upon request. For the purposes of this section, "owner" includes a park owner as defined under section 327C.01, subdivision 6, and "property" includes a lot as defined under section 327C.01, subdivision 3.

(b) If the owner or managing agent fails to provide the renter with a certificate of rent constituting property taxes, the commissioner shall allocate the net tax on the building to the unit on a square footage basis or other appropriate basis as the commissioner determines. The renter shall supply the commissioner with a statement from the county treasurer that gives the amount of property tax on the parcel, the address and property tax parcel identification number of the property, and the number of units in the building.

[EFFECTIVE DATE.] This section is effective for claims based on rent paid in 2005 and following years.

Sec. 32. Minnesota Statutes 2004, section 365.43, subdivision 1, is amended to read:

Subdivision 1. ~~[LEVIED AMOUNT IS SPENDING LIMIT TOTAL REVENUE DEFINED.]~~ A town must not ~~contract debts or~~ spend more money in a year than ~~the taxes levied for the year~~ its total revenue without a favorable vote of a majority of the town's electors. In this section, "total revenue" means property taxes payable in that year as well as amounts received from all other sources and amounts carried forward from the last year.

Sec. 33. Minnesota Statutes 2004, section 365.431, is amended to read:

365.431 [AMOUNT VOTED AT MEETING IS TAX LIMIT.]

Except as otherwise authorized by law, the tax for town purposes must not be more than the amount voted to be raised at the annual town meeting.

Sec. 34. Minnesota Statutes 2004, section 366.011, is amended to read:

366.011 [CHARGES FOR EMERGENCY SERVICES; COLLECTION.]

A town may impose a reasonable service charge for emergency services, including fire, rescue, medical, and related services provided by the town or contracted for by the town. If the service charge remains unpaid 30 days after a notice of delinquency is sent to the recipient of the service or the recipient's representative or estate, the town or its contractor on behalf of the town may use any lawful means allowed to a private party for the collection of an unsecured delinquent debt. The town may also use the authority of section 366.012 to collect unpaid service charges of this kind from delinquent recipients of services who are owners of taxable real property in the ~~town~~ state.

The powers conferred by this section are in addition and supplemental to the powers conferred by any other law for a town to impose a service charge or assessment for a service provided by the town or contracted for by the town.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 35. Minnesota Statutes 2004, section 366.012, is amended to read:

366.012 [COLLECTION OF UNPAID SERVICE CHARGES.]

If a town is authorized to impose a service charge ~~on the owner, lessee, or occupant of property, or any of them,~~ for a governmental service provided by the town, the town board may certify to the county auditor of the county in which the recipient of the services owns real property, on or before October 15 for each year, any unpaid service charges which shall then be collected together with property taxes levied against the property. The county auditor shall remit to the town all service charges collected by the auditor on behalf of the town. A charge may be certified to the auditor only if, on or before September 15, the town has given written notice to the property owner of its intention to certify the charge to the auditor. The service charges shall be subject to the same penalties, interest, and other conditions provided for the collection of property taxes. This section is in addition to other law authorizing the collection of unpaid costs and service charges.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 36. [373.251] [LEVY FOR NON-COUNTY-OWNED PUBLIC NURSING HOMES.]

(a) If a county with a population of 150,000 or more, according to the 2000 Federal Census, located outside the metropolitan area as defined in section 473.121, subdivision 2, owns a nursing home that is funded in whole or part with county revenue, the county must levy an equal amount annually to be distributed to all other nursing homes located within the county that are owned by governmental units.

(b) The proceeds of the levy authorized by paragraph (a) must be prorated among the government-owned nursing homes in the proportion that the number of beds in each of the government-owned nursing homes is to the total number of beds in all of the government-owned nursing homes in the county.

(c) The levy authorized by paragraph (a) may be levied in addition to all other county levies authorized by law.

[EFFECTIVE DATE.] This section is effective for taxes levied in 2006, payable in 2007 and thereafter.

Sec. 37. Minnesota Statutes 2004, section 398A.03, is amended by adding a subdivision to read:

Subd. 1a. [MUNICIPAL OPT-OUT PROVISION.] The governing body of any municipality that is within a regional railroad authority that has been organized under subdivision 1 may adopt a resolution to opt-out of the regional rail authority in which it is located. If a resolution to opt-out of the authority is adopted by the governing body of the municipality and certified to the board of commissioners prior to July 1, the exemption from property tax under section 398A.04, subdivision 8, shall take effect for property taxes payable in the following year.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 38. Minnesota Statutes 2004, section 398A.04, subdivision 8, is amended to read:

Subd. 8. [TAXATION.] Before deciding to exercise the power to tax, the authority shall give six weeks' published notice in all municipalities in the region. If a number of voters in the region equal to five percent of those who voted for candidates for governor at the last gubernatorial election present a petition within nine weeks of the first published notice to the secretary of state requesting that the matter be submitted to popular vote, it shall be submitted at the next general election. The question prepared shall be:

"Shall the regional rail authority have the power to impose a property tax?

Yes

No"

If a majority of those voting on the question approve or if no petition is presented within the prescribed time the authority may levy a tax at any annual rate not exceeding 0.04835 percent of market value of all taxable property situated within the municipality or municipalities named in its organization resolution, including the market value of any municipalities that have opted-out of the authority under subdivision 1a. Its recording officer shall file, on or before September 15, in the office of the county auditor of each county in which territory under the jurisdiction of the authority is located a certified copy of the board of commissioners' resolution levying the tax, and each county auditor shall assess and extend upon the tax rolls of each municipality named in the organization resolution, excluding any municipality that has opted-out of the organization's resolution under subdivision 1a, the portion of the tax that bears the same ratio to the whole amount that the net tax capacity of taxable property in that municipality bears to the net tax capacity of taxable property in all municipalities named in the organization resolution, excluding the net tax capacity of taxable property in any municipality that has opted-out of the organization's resolution under subdivision 1a. Collections of the tax shall be remitted by each county treasurer to the treasurer of the authority. For taxes levied in 1991, the amount levied for light rail transit purposes under this subdivision shall not exceed 75 percent of the amount levied in 1990 for light rail transit purposes under this subdivision.

[EFFECTIVE DATE.] This section is effective beginning with taxes levied in 2005, payable in 2006 and thereafter.

Sec. 39. [473.450] [SPECIAL TAXING DISTRICT FOR LRT.]

Subdivision 1. [CREATION.] The council shall establish a special taxing district to pay for the cost of operating a light rail transit line to the extent fare revenues are insufficient to cover those costs.

Subd. 2. [AREA OF DISTRICT.] The special taxing district consists of the area comprised of any parcel of property located, in whole or part, within 1,000 feet of the right-of-way for the light rail transit line and classified as class 3 property or class 4 property.

Subd. 3. [REVENUES.] (a) The revenues of the district are the property tax increments attributable to the increase in the net tax capacity of the district that occurs after its certification. The tax increments must be computed in the manner provided in this subdivision.

(b) Upon the request of the council, the county auditor shall certify the net tax capacity of all taxable property within the area of the special taxing district. Certification of original net tax capacity, captured net tax capacity, and computation of tax increment must be done following the procedures and methods provided under section 469.177 with the following exceptions:

(1) the current tax rate must be used, rather than the original tax rate under section 469.177, subdivision 1a;

(2) computations of increment must be made using the option under section 469.177, subdivision 3, paragraph (b);

(3) the county auditor shall annually adjust the original tax capacity of the district by the average percentage change in the tax capacity of class 3 property in the county over the previous assessment year.

(c) The county auditor shall pay the tax increment to the council. Revenues may only be used for the operating costs of light rail transit.

(d) The restrictions on or requirements for tax increment financing districts under sections 469.174 to 469.178 do not apply to a special taxing district, except as provided in paragraph (b) and as follows:

(1) the county may deduct its cost of administration as permitted under section 469.176, subdivision 4h, paragraph (a); and

(2) to the extent that revenues under this section exceed the projected cost of light rail transit operations that exceed fare and other revenues, the excess must be distributed as provided under section 469.176, subdivision 2, paragraph (c), clause (4).

Subd. 4. [TIF AND ABATEMENT.] (a) No tax increment financing district may be created under sections 469.174 to 469.178 within the area of the special taxing district as defined under subdivision 2. No abatement of the incremental tax under subdivision 3 may be made under sections 469.1812 to 469.1815.

(b) Upon decertification of parcels of a tax increment financing district that was certified before the effective date of this section and that are located within the area defined in subdivision 2, the council shall request certification of the parcels to be included in the special taxing district under this section. The auditor must certify the original net tax capacity of the parcels based on their tax capacity for the current taxes payable year.

[EFFECTIVE DATE.] This section is effective beginning for property taxes payable in 2006. Subdivision 4 applies to requests for certification of tax increment financing districts made after the day following final enactment.

Sec. 40. Minnesota Statutes 2004, section 473F.02, subdivision 2, is amended to read:

Subd. 2. [AREA.] "Area" means the territory included within the boundaries of Anoka, Carver, Dakota excluding the city of Northfield, Hennepin, Ramsey, Scott excluding the city of New Prague, and Washington Counties, excluding lands constituting a major or an intermediate airport as defined under section 473.625.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2006 and subsequent years.

Sec. 41. Minnesota Statutes 2004, section 477A.11, subdivision 4, is amended to read:

Subd. 4. [OTHER NATURAL RESOURCES LAND.] "Other natural resources land" means:

~~(4)~~ any other land presently owned in fee title by the state and administered by the commissioner, or any tax-forfeited land, other than platted lots within a city or those lands described under subdivision 3, clause (2), which is owned by the state and administered by the commissioner or by the county in which it is located; ~~and~~

~~(2) land leased by the state from the United States of America through the United States Secretary of Agriculture pursuant to Title III of the Bankhead Jones Farm Tenant Act, which land is commonly referred to as land utilization project land that is administered by the commissioner.~~

[EFFECTIVE DATE.] This section is effective for aids paid in calendar year 2006 and thereafter.

Sec. 42. Minnesota Statutes 2004, section 477A.11, is amended by adding a subdivision to read:

Subd. 5. [LAND UTILIZATION PROJECT LAND.] "Land utilization project land" means land that is leased by the state from the United States through the United States Secretary of Agriculture according to Title III of the Bankhead Jones Farm Tenant Act and that is administered by the commissioner.

[EFFECTIVE DATE.] This section is effective for aids paid in calendar year 2006 and thereafter.

Sec. 43. Minnesota Statutes 2004, section 477A.12, subdivision 1, is amended to read:

Subdivision 1. [TYPES OF LAND; PAYMENTS.] (a) As an offset for expenses incurred by counties and towns in support of natural resources lands, the following amounts are annually appropriated to the commissioner of natural resources from the general fund for transfer to the commissioner of revenue. The commissioner of revenue shall pay the transferred funds to counties as required by sections 477A.11 to 477A.145. The amounts are:

(1) for acquired natural resources land, \$3, as adjusted for inflation under section 477A.145, multiplied by the total number of acres of acquired natural resources land or, at the county's option three-fourths of one percent of the appraised value of all acquired natural resources land in the county, whichever is greater;

(2) 75 cents, as adjusted for inflation under section 477A.145, multiplied by the number of acres of county-administered other natural resources land; and

(3) 75 cents, as adjusted for inflation under section 477A.145, multiplied by the total number of acres of land utilization project land;

~~(4)~~ (4) 37.5 cents, as adjusted for inflation under section 477A.145, multiplied by the number of acres of commissioner-administered other natural resources land located in each county as of July 1 of each year prior to the payment year.

(b) The amount determined under paragraph (a), clause (1), is payable for land that is acquired from a private owner and owned by the Department of Transportation for the purpose of replacing wetland losses caused by transportation projects, but only if the county contains more than 500 acres of such land at the time the certification is made under subdivision 2.

[EFFECTIVE DATE.] This section is effective for aids paid in calendar year 2006 and thereafter.

Sec. 44. Minnesota Statutes 2004, section 477A.12, subdivision 2, is amended to read:

Subd. 2. [PROCEDURE.] Lands for which payments in lieu are made pursuant to section 97A.061, subdivision 3, and Laws 1973, chapter 567, shall not be eligible for payments under this section. Each county auditor shall certify to the Department of Natural Resources during July of each year prior to the payment year the number of acres of county-administered other natural resources land within the county. The Department of Natural Resources may, in addition to the certification of acreage, require descriptive lists of land so certified. The commissioner of natural resources shall determine and certify to the commissioner of revenue by March 1 of the payment year:

- (1) the number of acres and most recent appraised value of acquired natural resources land within each county;
- (2) the number of acres of commissioner-administered natural resources land within each county; ~~and~~
- (3) the number of acres of county-administered other natural resources land within each county, based on the reports filed by each county auditor with the commissioner of natural resources; and
- (4) the number of acres of land utilization project land within each county.

The commissioner of transportation shall determine and certify to the commissioner of revenue by March 1 of the payment year the number of acres of land and the appraised value of the land described in subdivision 1, paragraph (b), but only if it exceeds 500 acres.

The commissioner of revenue shall determine the distributions provided for in this section using the number of acres and appraised values certified by the commissioner of natural resources and the commissioner of transportation by March 1 of the payment year.

[EFFECTIVE DATE.] This section is effective for aids paid in calendar year 2006 and thereafter.

Sec. 45. Minnesota Statutes 2004, section 477A.14, subdivision 1, is amended to read:

Subdivision 1. [GENERAL DISTRIBUTION.] Except as provided in subdivision 2 or in section 97A.061, subdivision 5, 40 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:

- (a) 37.5 cents, as adjusted for inflation under section 477A.145, 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, as adjusted for inflation under section 477A.145, for each acre of acquired natural resources land and each acre of land described in section 477A.12, subdivision 1, paragraph (b), and 7.5

cents, as adjusted for inflation under section 477A.145, for each acre of other natural resources land and each acre of land utilization project 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.

[EFFECTIVE DATE.] This section is effective for aids paid in calendar year 2006 and thereafter.

Sec. 46. Laws 1998, chapter 389, article 3, section 42, subdivision 2, as amended by Laws 2002, chapter 377, article 4, section 24, is amended to read:

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;

(2) the current owner or the spouse or child of the current owner has not conveyed or entered into a contract before July 1, 2007, to convey for ownership or public easement rights, (i) a portion of the property to a one or more nonprofit foundation foundations or corporation operating corporations; and (ii) a portion of the property to one or more local governments; and those entities shall separately or jointly operate the property as an art park providing the services included in section 38, clauses (2) to (5), and may also use some of the property for other public purposes as determined by the local governments; or

(3) the nonprofit foundation or corporation to which a portion of the property was transferred ceases to provide the services included in section 38, clauses (2) to (5), earlier than ten years following the effective date of the conveyance conveyances or of the execution of the contract contracts to convey.

(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 or local government operating the property as an art park and used for other public purposes, or (2) for taxes payable in 2008, or (3) in the event the nonprofit foundation or corporation to which a portion of the property was conveyed ceases to provide the required services within ten years after the conveyance, for taxes payable in the year following the year when it ceased to do so.

The county board, with the approval of the city council, shall determine the amount of the additional taxes due on the portion of property which is no longer utilized as an art park; provided, however, that the additional taxes are equal to must not be greater than the difference between the taxes determined on that portion of the property utilized as an art park 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 amount provided that it is paid within 30 days of the county's notice.

[EFFECTIVE DATE.] This section is effective March 1, 2005.

Sec. 47. Laws 2001, First Special Session chapter 5, article 3, section 8, the effective date, is amended to read:

[EFFECTIVE DATE.] This section is effective for taxes levied in 2002, payable in 2003, through taxes levied in ~~2007~~ 2009, payable in ~~2008~~ 2010.

Sec. 48. [REPORT; PROPOSED STANDARDIZED ASSESSMENT AND CLASSIFICATION STANDARDS.]

Recognizing the importance of uniform and professional property tax assessment practices, the commissioner of revenue, in consultation with appropriate stakeholder groups shall develop and issue a report to the chairs of the house and senate tax committees by February 1, 2006. This report shall contain, but not be limited to, recommendations and proposed requirements for achieving standardized assessment and classification of seasonal residential recreational property, residential nonhomestead property, timber and woodland property, green acres property, seasonal residential recreational commercial and noncommercial property, and commercial/industrial property.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 49. [CODE OF CONDUCT AND ETHICS; ASSESSORS.]

The commissioner of revenue is directed to develop a code of conduct and ethics for Minnesota assessors to ensure public confidence in property assessment. The commissioner shall consult with representatives of the Minnesota Association of Assessing Officers, the State Board of Assessors, and any other groups that the commissioner deems appropriate. The code must include language that promotes fairness and uniformity and recommends assessment practices that do not promote the perception of a conflict of interest. The code must be completed and recommended to the Minnesota State Board of Assessors for adopting by January 1, 2006. This code must be presented as part of the course required by Minnesota Statutes, section 273.0755, paragraph (c).

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 50. [LEVY AUTHORITY; CONDITIONS.]

A special taxing district organized under Minnesota Statutes, chapter 398A, may not increase its property tax levy over the amount levied for property taxes payable in 2005, unless it has entered a contract or contracts as described in Minnesota Statutes, section 398A.04, subdivision 11, clauses (a) and (b).

Sec. 51. [SCHOOL DEBT SERVICE LEVIES; ALTERNATIVE TAX BASE; PILOT PROJECT.]

Subdivision 1. [COMMISSIONER DESIGNATION.] The commissioner of education may select up to three school districts to participate in the pilot project under this section. The commissioner must notify the selected school districts by July 1, 2005.

Subd. 2. [ELECTION BY SCHOOL BOARD.] A school board designated by the commissioner under subdivision 1 may by resolution elect to levy the debt service for a bond issued after July 1, 2005, and before July 1, 2007, against the alternative net tax capacity of the district, as defined under subdivision 6, rather than the net tax capacity of the district. A resolution to levy against alternative net tax capacity must be passed at an open meeting of the board, at least 60 days prior to the referendum election. A district electing to issue bonds with a levy against alternative net tax capacity must notify the commissioner of that intention in filing the proposal required by Minnesota Statutes, section 123B.71, subdivision 9.

Subd. 3. [DEBT SERVICE EQUALIZATION REVENUE.] For the purposes of Minnesota Statutes, section 123B.53, subdivision 4, debt service equalization revenue for a district that has issued bonds under an election to levy against alternative net tax capacity is the same as it would be if the levy were being made against net tax capacity.

Subd. 4. [APPORTIONMENT OF DEBT SERVICE AID.] Equalization aid for a district that has issued bonds under an election to levy against alternative net tax capacity must be apportioned between the net tax capacity debt service levy and the alternative net tax capacity debt service levy in the same proportions as eligible debt service revenues resulting from bonds issued against net tax capacity are to eligible debt service revenues resulting from bonds issued against alternative net tax capacity.

Subd. 5. [ALTERNATIVE NET TAX CAPACITY DEBT SERVICE LEVY.] The eligible debt service revenues resulting from bonds issued against alternative net tax capacity, minus the debt service equalization aid apportioned to the alternative net tax capacity levy, must be levied against the alternative net tax capacity of the district as defined in subdivision 6, and must be separately certified to the county auditor under Minnesota Statutes, section 275.07.

Subd. 6. [ALTERNATIVE NET TAX CAPACITY.] "Alternative net tax capacity" means the net tax capacity of all taxable property in a district, as defined in Minnesota Statutes, section 273.13, except:

(1) the first tier of class 2a property, excluding the portion of class 2a property consisting of the house, garage, and surrounding one acre of land of an agricultural homestead, has an alternative net tax capacity equal to 0.14 percent of its taxable market value;

(2) the upper tier of class 2a property and all other class 2 property has an alternative net tax capacity equal to 0.25 percent of its taxable market value;

(3) noncommercial class 4c(1) property has an alternative net tax capacity equal to 0.75 percent of its taxable market value;

(4) class 4a and 4b property has an alternative net tax capacity equal to one percent of its taxable market value;

(5) the first tier of class 3 property has an alternative net tax capacity equal to 1.25 percent of its taxable market value; and

(6) class 5 property and the upper tier of class 3 property has an alternative net tax capacity equal to 1.5 percent of its taxable market value.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2006 and thereafter.

Sec. 52. [SCHOOL PROPERTY; EXEMPTION 2005 ONLY.]

Notwithstanding Minnesota Statutes, section 272.02, subdivision 38, paragraph (b), the following property is exempt from taxation for assessment year 2004, for taxes payable in 2005, if it meets all the following criteria:

(1) is used to provide direct educational instruction for grades 7 through 10;

(2) is located in a city of the first class that has a population greater than 250,000 and less than 350,000;

(3) was purchased after July 1, 2004, by a nonprofit that is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code; and

(4) is leased and operated by two nonprofit corporations organized under Minnesota Statutes, chapter 317A.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 53. [REPEALER.]

Laws 1998, chapter 389, article 3, section 41, is repealed.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

ARTICLE 3

PROPERTY TAX AIDS AND CREDITS

Section 1. Minnesota Statutes 2004, section 4A.02, is amended to read:

4A.02 [STATE DEMOGRAPHER.]

(a) The director shall appoint a state demographer. The demographer must be professionally competent in demography and must possess demonstrated ability based upon past performance.

(b) The demographer shall:

(1) continuously gather and develop demographic data relevant to the state;

(2) design and test methods of research and data collection;

(3) periodically prepare population projections for the state and designated regions and periodically prepare projections for each county or other political subdivision of the state as necessary to carry out the purposes of this section;

(4) review, comment on, and prepare analysis of population estimates and projections made by state agencies, political subdivisions, other states, federal agencies, or nongovernmental persons, institutions, or commissions;

(5) serve as the state liaison with the United States Bureau of the Census, coordinate state and federal demographic activities to the fullest extent possible, and aid the legislature in preparing a census data plan and form for each decennial census;

(6) compile an annual study of population estimates on the basis of county, regional, or other political or geographical subdivisions as necessary to carry out the purposes of this section and section 4A.03;

(7) by January 1 of each year, issue a report to the legislature containing an analysis of the demographic implications of the annual population study and population projections;

(8) prepare maps for all counties in the state, all municipalities with a population of 10,000 or more, and other municipalities as needed for census purposes, according to scale and detail recommended by the United States Bureau of the Census, with the maps of cities showing precinct boundaries;

(9) prepare an estimate of population and of the number of households for each governmental subdivision for which the Metropolitan Council does not prepare an annual estimate, and convey the estimates to the governing body of each political subdivision by ~~May~~ June 1 of each year;

(10) direct, under section 414.01, subdivision 14, and certify population and household estimates of annexed or detached areas of municipalities or towns after being notified of the order or letter of approval by the director;

(11) prepare, for any purpose for which a population estimate is required by law or needed to implement a law, a population estimate of a municipality or town whose population is affected by action under section 379.02 or 414.01, subdivision 14; and

(12) prepare an estimate of average household size for each statutory or home rule charter city with a population of 2,500 or more by ~~May~~ June 1 of each year.

(c) A governing body may challenge an estimate made under paragraph (b) by filing their specific objections in writing with the state demographer by June ~~10~~ 24. If the challenge does not result in an acceptable estimate by ~~June 24~~, the governing body may have a special census conducted by the United States Bureau of the Census. The political subdivision must notify the state demographer by July 1 of its intent to have the special census conducted. The political subdivision must bear all costs of the special census. Results of the special census must be received by the state demographer by the next April 15 to be used in that year's ~~May~~ June 1 estimate to the political subdivision under paragraph (b).

(d) The state demographer shall certify the estimates of population and household size to the commissioner of revenue by July 15 each year, including any estimates still under objection.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 2004, section 273.1384, subdivision 1, is amended to read:

Subdivision 1. [RESIDENTIAL HOMESTEAD MARKET VALUE CREDIT.] Each county auditor shall determine a homestead credit for each class 1a, 1b, 1c, and 2a homestead property within the county equal to 0.4 percent of the first \$76,000 of market value of the property. ~~The amount of homestead credit for a homestead may not exceed \$304 and is reduced by minus .09 percent of the market value in excess of \$76,000. The credit amount may not be less than zero.~~ In the case of an agricultural or resort homestead, only the market value of the house, garage, and immediately surrounding one acre of land is eligible in determining the property's homestead credit. In the case of a property which is classified as part homestead and part nonhomestead, (i) the credit shall apply only to the homestead portion of the property; ~~but (ii) if a portion of a property is classified as nonhomestead solely because not all the owners occupy the property, or solely because both spouses do not occupy the property, the credit amount shall be initially computed as if that nonhomestead portion were also in the homestead class and then prorated to the owner-occupant's percentage of ownership or prorated to one-half if both spouses do not occupy the property.~~

[EFFECTIVE DATE.] This section is effective for taxes payable in 2006 and thereafter.

Sec. 3. Minnesota Statutes 2004, section 276A.01, subdivision 7, is amended to read:

Subd. 7. [POPULATION.] "Population" means the most recent estimate of the population of a municipality made by the state demographer and filed with the commissioner of revenue as of July ~~4~~ 15 of the year in which a municipality's distribution net tax capacity is calculated. The state demographer shall annually estimate the population of each municipality and, in the case of a municipality which is located partly within and partly without the area, the proportion of the total which resides within the area, and shall file the estimates with the commissioner of revenue.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 4. [473.24] [POPULATION ESTIMATES.]

(a) The Metropolitan Council shall annually prepare an estimate of population for each county, city, and town in the metropolitan area and an estimate of the number of households and average household size for each city in the metropolitan area with a population of 2,500 or more, and an estimate of population over age 65 for each county in the metropolitan area, and convey the estimates to the governing body of each county, city, or town by June 1 each year. In the case of a city or town that is located partly within and partly without the metropolitan area, the Metropolitan Council shall estimate the proportion of the total population and the average size of households that reside within the area. The Metropolitan Council may prepare an estimate of the population and of the average household size for any other political subdivision located in the metropolitan area.

(b) A governing body may challenge an estimate made under this section by filing its specific objections in writing with the Metropolitan Council by June 24. If the challenge does not result in an acceptable estimate, the governing body may have a special census conducted by the United States Bureau of the Census. The political subdivision must notify the Metropolitan Council on or before July 1 of its intent to have the special census conducted. The political subdivision must bear all costs of the special census. Results of the special census must be received by the Metropolitan Council by the next April 15 to be used in that year's June 1 estimate under this section. The Metropolitan Council shall certify the estimates of population and the average household size to the state demographer and to the commissioner of revenue by July 15 each year, including any estimates still under objection.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 5. Minnesota Statutes 2004, section 473F.02, subdivision 7, is amended to read:

Subd. 7. [POPULATION.] "Population" means the most recent estimate of the population of a municipality made by the Metropolitan Council under section 473.24 and filed with the commissioner of revenue as of July 1 15 of the year in which a municipality's distribution net tax capacity is calculated. ~~The council shall annually estimate the population of each municipality as of a date which it determines and, in the case of a municipality which is located partly within and partly without the area, the proportion of the total which resides within the area, and shall promptly thereafter file its estimates with the commissioner of revenue.~~

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 6. Minnesota Statutes 2004, section 477A.011, subdivision 3, is amended to read:

Subd. 3. [POPULATION.] "Population" means the population estimated or established as of July 1 15 in an aid calculation year by the most recent federal census, by a special census conducted under contract with the United States Bureau of the Census, by a population estimate made by the Metropolitan Council pursuant to section 473.24, or by a population estimate of the state demographer made pursuant to section 4A.02, whichever is the most recent as to the stated date of the count or estimate for the preceding calendar year, and which has been certified to the commissioner of revenue on or before July 15 of the aid calculation year. The term "per capita" refers to population as defined by this subdivision. A revision of an estimate or count is effective for these purposes only if it is certified to the commissioner on or before July 15 of the aid calculation year. Clerical errors in the certification or use of the estimates and counts established as of July 15 in the aid calculation year are subject to correction within the time periods allowed under section 477A.014.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 7. Minnesota Statutes 2004, section 477A.011, subdivision 34, is amended to read:

Subd. 34. [CITY REVENUE NEED.] (a) For a city with a population equal to or greater than 2,500, "city revenue need" is the sum of (1) 5.0734098 times the pre-1940 housing percentage; plus (2) 19.141678 times the population decline percentage; plus (3) 2504.06334 times the road accidents factor; plus (4) 355.0547; minus (5) the metropolitan area factor; minus (6) 49.10638 times the household size.

(b) For a city with a population less than 2,500, "city revenue need" is the sum of (1) 2.387 times the pre-1940 housing percentage; plus (2) 2.67591 times the commercial industrial percentage; plus (3) 3.16042 times the population decline percentage; plus (4) 1.206 times the transformed population; minus (5) 62.772.

(c) For a city with a population of 2,500 or more and a population in one of the most recently available five years that was less than 2,500, "city revenue need" is the sum of (1) its city revenue need calculated under paragraph (a) multiplied by its transition factor; plus (2) its city revenue need calculated under the formula in paragraph (b) multiplied by the difference between one and its transition factor. For purposes of this paragraph, a city's "transition factor" is equal to 0.2 multiplied by the number of years that the city's population estimate has been 2,500 or more. This provision only applies for aids payable in calendar years 2006 to 2008 to cities with a 2002 population of less than 2,500. It applies to any city for aids payable in 2009 and thereafter.

(d) The city revenue need cannot be less than zero.

~~(d)~~ (e) For calendar year 2005 and subsequent years, the city revenue need for a city, as determined in paragraphs (a) to ~~(e)~~ (d), is multiplied by the ratio of the annual implicit price deflator for government consumption expenditures and gross investment for state and local governments as prepared by the United States Department of Commerce, for the most recently available year to the 2003 implicit price deflator for state and local government purchases.

[EFFECTIVE DATE.] This section is effective beginning with aids payable in 2006.

Sec. 8. Minnesota Statutes 2004, section 477A.011, subdivision 35, is amended to read:

Subd. 35. [TAX EFFORT RATE.] "Tax effort rate" means the net levy for all cities divided by the sum of the city net tax capacity for all cities, unless the need increase percentage determined under section 477A.013, subdivision 8, is 100 percent, in which case the tax effort rate is the rate needed so that the total aid under section 477A.013, subdivision 9, equals the total amount available for aid under section 477A.03, after the subtractions in section 477A.014. For purposes of this section, "net levy" means the city levy, after all adjustments, used for calculating the local tax rate under section 275.08 for taxes payable in the year prior to the aid distribution. The fiscal disparity distribution levy under chapter 276A or 473F is included in net levy.

[EFFECTIVE DATE.] This section is effective beginning with aids payable in 2006.

Sec. 9. Minnesota Statutes 2004, section 477A.011, subdivision 36, is amended to read:

Subd. 36. [CITY AID BASE.] (a) Except as otherwise provided in this subdivision, "city aid base" is zero.

(b) 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.

(c) 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.

(d) 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.

(e) 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:

(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.

(f) Beginning in 2004, the city aid base for a city is equal to the sum of its city aid base in 2003 and the amount of additional aid it was certified to receive under section 477A.06 in 2003. For 2004 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 2003.

(g) The city aid base for a city is increased by \$150,000 for aids payable in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$150,000 in calendar year 2000 only, provided that:

(1) the city has a population that is greater than 1,000 and less than 2,500;

(2) its commercial and industrial percentage for aids payable in 1999 is greater than 45 percent; and

(3) the total market value of all commercial and industrial property in the city for assessment year 1999 is at least 15 percent less than the total market value of all commercial and industrial property in the city for assessment year 1998.

(h) The city aid base for a city is increased by \$200,000 in 2000 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 2000 only, provided that:

(1) the city had a population in 1997 of 2,500 or more;

(2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than \$650 per capita;

(3) the pre-1940 housing percentage of the city used in calculating 1999 aid under section 477A.013 is greater than 12 percent;

(4) the 1999 local government aid of the city under section 477A.013 is less than 20 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent; and

(5) the city aid base of the city used in calculating aid under section 477A.013 is less than \$7 per capita.

(i) The city aid base for a city is increased by \$102,000 in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$102,000 in calendar year 2000 only, provided that:

(1) the city has a population in 1997 of 2,000 or more;

(2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than \$455 per capita;

(3) the net levy of the city used in calculating 1999 aid under section 477A.013 is greater than \$195 per capita; and

(4) the 1999 local government aid of the city under section 477A.013 is less than 38 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent.

(j) The city aid base for a city is increased by \$32,000 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$32,000 in calendar year 2001 only, provided that:

(1) the city has a population in 1998 that is greater than 200 but less than 500;

(2) the city's revenue need used in calculating aids payable in 2000 was greater than \$200 per capita;

(3) the city net tax capacity for the city used in calculating aids available in 2000 was equal to or less than \$200 per capita;

(4) the city aid base of the city used in calculating aid under section 477A.013 is less than \$65 per capita; and

(5) the city's formula aid for aids payable in 2000 was greater than zero.

(k) The city aid base for a city is increased by \$7,200 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$7,200 in calendar year 2001 only, provided that:

- (1) the city had a population in 1998 that is greater than 200 but less than 500;
- (2) the city's commercial industrial percentage used in calculating aids payable in 2000 was less than ten percent;
- (3) more than 25 percent of the city's population was 60 years old or older according to the 1990 census;
- (4) the city aid base of the city used in calculating aid under section 477A.013 is less than \$15 per capita; and
- (5) the city's formula aid for aids payable in 2000 was greater than zero.

(l) The city aid base for a city is increased by \$45,000 in 2001 and thereafter and by an additional \$50,000 in calendar years 2002 to 2011, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$45,000 in calendar year 2001 only, and by \$50,000 in calendar year 2002 only, provided that:

- (1) the net tax capacity of the city used in calculating its 2000 aid under section 477A.013 is less than \$810 per capita;
- (2) the population of the city declined more than two percent between 1988 and 1998;
- (3) the net levy of the city used in calculating 2000 aid under section 477A.013 is greater than \$240 per capita; and
- (4) the city received less than \$36 per capita in aid under section 477A.013, subdivision 9, for aids payable in 2000.

(m) The city aid base for a city with a population of 10,000 or more which is located outside of the seven-county metropolitan area is increased in 2002 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (b) or (c), is also increased in calendar year 2002 only, by an amount equal to the lesser of:

(1)(i) the total population of the city, as determined by the United States Bureau of the Census, in the 2000 census, (ii) minus 5,000, (iii) times 60; or

(2) \$2,500,000.

(n) The city aid base is increased by \$50,000 in 2002 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$50,000 in calendar year 2002 only, provided that:

- (1) the city is located in the seven-county metropolitan area;
- (2) its population in 2000 is between 10,000 and 20,000; and
- (3) its commercial industrial percentage, as calculated for city aid payable in 2001, was greater than 25 percent.

(o) The city aid base for a city is increased by \$150,000 in calendar years 2002 to 2011 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$150,000 in calendar year 2002 only, provided that:

- (1) the city had a population of at least 3,000 but no more than 4,000 in 1999;
- (2) its home county is located within the seven-county metropolitan area;
- (3) its pre-1940 housing percentage is less than 15 percent; and
- (4) its city net tax capacity per capita for taxes payable in 2000 is less than \$900 per capita.

(p) The city aid base for a city is increased by \$200,000 beginning in calendar year 2003 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 2003 only, provided that the city qualified for an increase in homestead and agricultural credit aid under Laws 1995, chapter 264, article 8, section 18.

(q) The city aid base for a city is increased by \$200,000 in 2004 only and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, is also increased by \$200,000 in calendar year 2004 only, if the city is the site of a nuclear dry cask storage facility.

(r) The city aid base for a city is increased by \$10,000 in 2004 and thereafter and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$10,000 in calendar year 2004 only, if the city was included in a federal major disaster designation issued on April 1, 1998, and its pre-1940 housing stock was decreased by more than 40 percent between 1990 and 2000.

(s) The city aid base for a city is increased by \$25,000 in 2006 and thereafter and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$25,000 in calendar year 2006 only if the city had a population in 2003 of at least 1,000 and has a state park for which the city provides rescue services and which comprised at least 14 percent of the total geographic area included within the city boundaries in 2000.

[EFFECTIVE DATE.] This section is effective for aids payable in 2006 and thereafter.

Sec. 10. Minnesota Statutes 2004, section 477A.011, subdivision 38, is amended to read:

Subd. 38. [HOUSEHOLD SIZE.] "Household size" means the average number of persons per household in the jurisdiction as most recently estimated and reported by the state demographer and Metropolitan Council as of July 1-15 of the aid calculation year. A revision to an estimate or enumeration is effective for these purposes only if it is certified to the commissioner on or before July 15 of the aid calculation year. Clerical errors in the certification or use of estimates and counts established as of July 15 in the aid calculation year are subject to correction within the time periods allowed under section 477A.014.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 11. Minnesota Statutes 2004, section 477A.0124, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] (a) For the purposes of this section, the following terms have the meanings given them.

(b) "County program aid" means the sum of "county need aid," "county tax base equalization aid," and "county transition aid."

(c) "Age-adjusted population" means a county's population multiplied by the county age index.

(d) "County age index" means the percentage of the population over age 65 within the county divided by the percentage of the population over age 65 within the state, except that the age index for any county may not be greater than 1.8 nor less than 0.8.

(e) "Population over age 65" means the population over age 65 established as of July + 15 in an aid calculation year by the most recent federal census, by a special census conducted under contract with the United States Bureau of the Census, by a population estimate made by the Metropolitan Council, or by a population estimate of the state demographer made pursuant to section 4A.02, whichever is the most recent as to the stated date of the count or estimate for the preceding calendar year and which has been certified to the commissioner of revenue on or before July 15 of the aid calculation year. A revision to an estimate or count is effective for these purposes only if certified to the commissioner on or before July 15 of the aid calculation year. Clerical errors in the certification or use of estimates and counts established as of July 15 in the aid calculation year are subject to correction within the time periods allowed under section 477A.014.

(f) "Part I crimes" means the three-year average annual number of Part I crimes reported for each county by the Department of Public Safety for the most recent years available. By July 1 of each year, the commissioner of public safety shall certify to the commissioner of revenue the number of Part I crimes reported for each county for the three most recent calendar years available.

(g) "Households receiving food stamps" means the average monthly number of households receiving food stamps for the three most recent years for which data is available. By July 1 of each year, the commissioner of human services must certify to the commissioner of revenue the average monthly number of households in the state and in each county that receive food stamps, for the three most recent calendar years available.

(h) "County net tax capacity" means the net tax capacity of the county, computed analogously to city net tax capacity under section 477A.011, subdivision 20.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 12. Minnesota Statutes 2004, section 477A.0124, subdivision 4, is amended to read:

Subd. 4. [COUNTY TAX-BASE EQUALIZATION AID.] (a) For ~~2005~~ 2006 and subsequent years, the money appropriated to county tax-base equalization aid each calendar year, after the payment under paragraph (f), shall be apportioned among the counties according to each county's tax-base equalization aid factor.

(b) A county's tax-base equalization aid factor is equal to the amount by which (i) \$185 times the county's population, exceeds (ii) 9.45 percent of the county's net tax capacity.

(c) In the case of a county with a population less than 10,000, the factor determined in paragraph (b) shall be multiplied by a factor of three.

(d) In the case of a county with a population greater than or equal to 10,000, but less than 12,500, the factor determined in paragraph (b) shall be multiplied by a factor of two.

(e) In the case of a county with a population greater than 500,000, the factor determined in paragraph (b) shall be multiplied by a factor of 0.25.

(f) Before the money appropriated to county base equalization aid is apportioned among the counties as provided in paragraph (a), an amount up to \$73,259 is allocated annually to Anoka County and up to \$59,664 is annually allocated to Washington County for the county to pay postretirement costs of health insurance premiums for court employees. The allocation under this paragraph is in addition to the allocations under paragraphs (a) to (e).

[EFFECTIVE DATE.] This section is effective for aids payable in 2006 and thereafter.

Sec. 13. Minnesota Statutes 2004, section 477A.013, subdivision 8, is amended to read:

Subd. 8. [CITY FORMULA AID.] In calendar year 2004 and subsequent years, the formula aid for a city is equal to the need increase percentage multiplied by the difference between (1) the city's revenue need multiplied by its population, and (2) the sum of the city's net tax capacity multiplied by the tax effort rate, ~~and~~; the taconite aids under sections 298.28 and 298.282, multiplied by the following percentages:

- (i) zero percent for aids payable in 2004;
- (ii) 25 percent for aids payable in 2005;
- (iii) 50 percent for aids payable in 2006;
- (iv) 75 percent for aids payable in 2007; and
- (v) 100 percent for aids payable in 2008 and thereafter; and

for first class cities only, the amount raised by a one-half of one percent local sales and use tax imposed in the city in the calendar year before the year in which the aid is being calculated.

No city may have a formula aid amount less than zero. The need increase percentage must be the same for all cities.

The applicable need increase percentage must be calculated by the Department of Revenue so that the total of the aid under subdivision 9 equals the total amount available for aid under section 477A.03 after the subtraction under section 477A.014, subdivisions 4 and 5. The need increase percentage may not exceed 100 percent.

[EFFECTIVE DATE.] This section is effective beginning with aids payable in 2006.

Sec. 14. Minnesota Statutes 2004, section 477A.013, subdivision 9, is amended to read:

Subd. 9. [CITY AID DISTRIBUTION.] (a) In calendar year 2002 and thereafter, each city shall receive an aid distribution equal to the sum of (1) the city formula aid under subdivision 8, and (2) its city aid base.

~~(b) The aid for a city in calendar year 2004 shall not exceed the amount of its aid in calendar year 2003 after the reductions under Laws 2003, First Special Session chapter 21, article 5.~~

~~(c)~~ (e) For aids payable in 2005 and thereafter, the total aid for any city shall not exceed the sum of (1) ten percent of the city's net levy for the year prior to the aid distribution plus (2) its total aid in the previous year. For aids payable in ~~2005~~ 2006 and thereafter, the total aid for any city with a population of 2,500 or more, except for a city of the first class located within the seven-county metropolitan area, may not decrease from its total aid under this section in the previous year by an amount greater than ten percent of its net levy in the year prior to the aid distribution.

~~(d) (c) For aids payable in 2004 only, the total aid for a city with a population less than 2,500 may not be less than the amount it was certified to receive in 2003 minus the greater of (1) the reduction to this aid payment in 2003 under Laws 2003, First Special Session chapter 21, article 5, or (2) five percent of its 2003 aid amount. For aids payable in 2005 and thereafter, the total aid for a city with a population less than 2,500 must not be less than the amount it was certified to receive in the previous year minus five percent of its 2003 certified aid amount.~~

[EFFECTIVE DATE.] This section is effective beginning with aids payable in 2006.

Sec. 15. Minnesota Statutes 2004, section 477A.013, is amended by adding a subdivision to read:

Subd. 10. [LEVY ADJUSTMENTS FOR AID DECREASES.] Notwithstanding any local ordinance or charter provision, a city whose certified aid under subdivision 9 is less than the amount it received in the previous year under the same subdivision may increase its levy payable in the same year as the certified aid is paid by an amount equal to the aid decrease for that year.

[EFFECTIVE DATE.] This section is effective beginning with property tax levies payable in 2006 and thereafter.

Sec. 16. Minnesota Statutes 2004, section 477A.03, subdivision 2a, is amended to read:

Subd. 2a. [CITIES.] For aids payable in 2004, the total aids paid under section 477A.013, subdivision 9, are limited to \$429,000,000. For aids payable in 2005 and thereafter, the total aids paid under section 477A.013, subdivision 9, are increased limited to \$437,052,000. For aids payable in 2006, the total aids paid under section 477A.013, subdivision 9, is limited to \$419,552,000. For aids payable in 2007 and thereafter, the total aids paid under section 477A.013, subdivision 9, is limited to \$437,052,000 provided that the taxpayer satisfaction survey in section 275.065 is in effect for property taxes levied in the year in which the aid is calculated, otherwise the amount is limited to \$419,552,000.

[EFFECTIVE DATE.] This section is effective beginning with aids payable in 2006.

Sec. 17. Minnesota Statutes 2004, section 477A.03, subdivision 2b, is amended to read:

Subd. 2b. [COUNTIES.] (a) For aids payable in calendar year 2005 and thereafter, the total aids paid to counties under section 477A.0124, subdivision 3, are limited to \$100,500,000. Each calendar year, \$500,000 shall be retained by the commissioner of revenue to make reimbursements to the commissioner of finance for payments made under section 611.27. For calendar year 2004, the amount shall be in addition to the payments authorized under section 477A.0124, subdivision 1. For calendar year 2005 and subsequent years, the amount shall be deducted from the appropriation under this paragraph. The reimbursements shall be to defray the additional costs associated with court-ordered counsel under section 611.27. Any retained amounts not used for reimbursement in a year shall be included in the next distribution of county need aid that is certified to the county auditors for the purpose of property tax reduction for the next taxes payable year.

(b) For aids payable in 2005 and thereafter 2006, the total aids under section 477A.0124, subdivision 4, are limited to \$105,000,000. For aids payable in 2007 and thereafter, the total aid under section 477A.0124, subdivision 4, is limited to \$105,132,923. The commissioner of finance shall bill the commissioner of revenue for the cost of preparation of local impact notes as required by section 3.987, not to exceed \$207,000 in fiscal year 2004 and thereafter. The commissioner of education shall bill the commissioner of revenue for the cost of preparation of local impact notes for school districts as required by section 3.987, not to exceed \$7,000 in fiscal year 2004 and thereafter. The commissioner of revenue shall deduct the amounts billed under this paragraph from the appropriation under this paragraph. The amounts deducted are appropriated to the commissioner of finance and the commissioner of education for the preparation of local impact notes.

[EFFECTIVE DATE.] This section is effective for aids payable in 2007 and thereafter.

Sec. 18. Laws 2003, First Special Session chapter 21, article 5, section 13, is amended to read:

Sec. 13. [2004 CITY AID REDUCTIONS.]

The commissioner of revenue shall compute an aid reduction amount for 2004 for each city as provided in this section.

The initial aid reduction amount for each city is the amount by which the city's aid distribution under Minnesota Statutes, section 477A.013, and related provisions payable in 2003 exceeds the city's 2004 distribution under those provisions.

The minimum aid reduction amount for a city is the amount of its reduction in 2003 under section 12. If a city receives an increase to its city aid base under Minnesota Statutes, section 477A.011, subdivision 36, its minimum aid reduction is reduced by an equal amount.

The maximum aid reduction amount for a city is an amount equal to 14 percent of the city's total 2004 levy plus aid revenue base, except that if the city has a city net tax capacity for aids payable in 2004, as defined in Minnesota Statutes, section 477A.011, subdivision 20, of \$700 per capita or less, the maximum aid reduction shall not exceed an amount equal to 13 percent of the city's total 2004 levy plus aid revenue base.

If the initial aid reduction amount for a city is less than the minimum aid reduction amount for that city, the final aid reduction amount for the city is the sum of the initial aid reduction amount and the lesser of the amount of the city's payable 2004 reimbursement under Minnesota Statutes, section 273.1384, or the difference between the minimum and initial aid reduction amounts for the city, and the amount of the final aid reduction in excess of the initial aid reduction is deducted from the city's reimbursements pursuant to Minnesota Statutes, section 273.1384.

If the initial aid reduction amount for a city is greater than the maximum aid reduction amount for the city, the city receives an additional distribution under this section equal to the result of subtracting the maximum aid reduction amount from the initial aid reduction amount. This distribution shall be paid in equal installments in 2004 on the dates specified in Minnesota Statutes, section 477A.015. The amount necessary for these additional distributions is appropriated to the commissioner of revenue from the general fund in fiscal year 2005.

~~The initial aid reduction is applied to the city's distribution pursuant to Minnesota Statutes, section 477A.013, and any aid reduction in excess of the initial aid reduction is applied to the city's reimbursements pursuant to Minnesota Statutes, section 273.1384.~~

To the extent that sufficient information is available on each payment date in 2004, the commissioner of revenue shall pay the reimbursements reduced under this section in equal installments on the payment dates provided in law.

[EFFECTIVE DATE.] This section is effective for aids payable in 2004.

Sec. 19. Laws 2003, First Special Session chapter 21, article 6, section 9, is amended to read:

Sec. 9. [DEFINITIONS.]

(a) For purposes of sections 9 to 15, the following terms have the meanings given them in this section.

(b) The 2003 and 2004 "levy plus aid revenue base" for a county is the sum of that county's certified property tax levy for taxes payable in 2003, plus the sum of the amounts the county was certified to receive in the designated calendar year as:

(1) homestead and agricultural credit aid under Minnesota Statutes, section 273.1398, subdivision 2, plus any additional aid under section 16, minus the amount calculated under section 273.1398, subdivision 4a, paragraph (b), for counties in judicial districts one, three, six, and ten, and 25 percent of the amount calculated under section 273.1398, subdivision 4a, paragraph (b), for counties in judicial districts two and four;

(2) the amount of county manufactured home homestead and agricultural credit aid computed for the county for payment in 2003 under section 273.166;

(3) criminal justice aid under Minnesota Statutes, section 477A.0121;

(4) family preservation aid under Minnesota Statutes, section 477A.0122;

(5) taconite aids under Minnesota Statutes, 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; and

(6) county program aid under section 477A.0124, exclusive of the attached machinery aid component.

[EFFECTIVE DATE.] This section is effective for aids payable in 2004.

Sec. 20. [2005 AND 2006 CITY AID PAYMENTS.]

In 2005 and 2006, market value credit reimbursements for each city payable under Minnesota Statutes, section 273.1384, are reduced by the dollar amount of the 2003 reduction in market value credit reimbursements for that city due to Laws 2003, First Special Session chapter 21, article 5, section 12. No city's 2005 or 2006 market value credit reimbursements are reduced to less than zero under this section. To the extent sufficient information is available on each payment date, the commissioner shall pay the annual 2005 and 2006 market value credit reimbursement amounts, after reduction under this section, to cities in equal installments on the dates specified in Minnesota Statutes, section 273.1384.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 21. [COURT AID ADJUSTMENT.]

For aids payable in 2005 only, the amount of court aid paid to Anoka County under Minnesota Statutes, section 273.1398, subdivision 4a, is increased by \$36,630 for aids payable in 2005 only and the amount paid to Washington County under Minnesota Statutes, section 273.1398, subdivision 4a, is increased by \$29,832 for aids payable in 2005 only.

[EFFECTIVE DATE.] This section is effective for aids payable in 2005 only.

Sec. 22. [SUPREME COURT BUDGET.]

The district courts general fund appropriation is reduced by \$66,462 in fiscal year 2006 and \$132,923 beginning in fiscal year 2007 to fund the amount transferred to county tax base equalization aid to fund the payments under Minnesota Statutes, section 477A.0124, subdivision 4, paragraph (f), and section 20.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

ARTICLE 4

DEPARTMENT OF REVENUE PROPERTY TAXES

Section 1. Minnesota Statutes 2004, section 168A.05, subdivision 1a, is amended to read:

Subd. 1a. [MANUFACTURED HOME; STATEMENT OF PROPERTY TAX PAYMENT.] In the case of a manufactured home as defined in section 327.31, subdivision 6, the department shall not issue a certificate of title unless the application under section 168A.04 is accompanied with a statement from the county auditor or county treasurer where the manufactured home is presently located, stating that all manufactured home personal property taxes levied on the unit in the name of the current owner at the time of transfer have been paid. For this purpose, manufactured home personal property taxes are treated as levied on January 1 of the payable year.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 2004, section 270.11, subdivision 2, is amended to read:

Subd. 2. [COUNTY ASSESSOR'S REPORTS OF ASSESSMENT FILED WITH COMMISSIONER.] Each county assessor shall file by April 1 with the commissioner of revenue a copy of the abstract that will be acted upon by the local and county boards of review. The abstract must list the real and personal property in the county itemized by assessment districts. The assessor of each county in the state shall file with the commissioner, within ten working days following final action of the local board of review or equalization and within five days following final action of the county board of equalization, any changes made by the local or county board. The information must be filed in the manner prescribed by the commissioner. It must be accompanied by a printed or typewritten copy of the proceedings of the appropriate board.

The final abstract of assessments after adjustments by the State Board of Equalization and inclusion of any omitted property shall be submitted to the commissioner of revenue on or before September 1 of each calendar year. The final abstract must separately report the captured tax capacity of tax increment financing districts under section 469.177, subdivision 2, the ~~metropolitan revenue~~ areawide net tax capacity contribution ~~value~~ values determined under ~~section~~ sections 276A.05, subdivision 1, and 473F.07, subdivision 1, and the value subject to the power line credit under section 273.42.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2004, section 270.16, subdivision 2, is amended to read:

Subd. 2. [FAILURE TO APPRAISE.] When an assessor has failed to properly appraise at least ~~one-quarter~~ one-fifth of the parcels of property in a district or county as provided in section 273.01, the commissioner of revenue shall appoint a special assessor and deputy assessor as necessary and cause a reappraisal to be made of the property due for reassessment in accordance with law.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 4. Minnesota Statutes 2004, section 272.01, subdivision 2, is amended to read:

Subd. 2. (a) When any real or personal property which is exempt from ad valorem taxes, and taxes in lieu thereof, is leased, loaned, or otherwise made available and used by a private individual, association, or corporation in connection with a business conducted for profit, there shall be imposed a tax, for the privilege of so using or possessing such real or personal property, in the same amount and to the same extent as though the lessee or user was the owner of such property.

(b) The tax imposed by this subdivision shall not apply to:

(1) property leased or used as a concession in or relative to the use in whole or part of a public park, market, fairgrounds, port authority, economic development authority established under chapter 469, municipal auditorium, municipal parking facility, municipal museum, or municipal stadium;

(2) property of an airport owned by a city, town, county, or group thereof which is:

(i) leased to or used by any person or entity including a fixed base operator; and

(ii) used as a hangar for the storage or repair of aircraft or to provide aviation goods, services, or facilities to the airport or general public;

the exception from taxation provided in this clause does not apply to:

(i) property located at an airport owned or operated by the Metropolitan Airports Commission or by a city of over 50,000 population according to the most recent federal census or such a city's airport authority;

(ii) hangars leased by a private individual, association, or corporation in connection with a business conducted for profit other than an aviation-related business; or

(iii) facilities leased by a private individual, association, or corporation in connection with a business for profit, that consists of a major jet engine repair facility financed, in whole or part, with the proceeds of state bonds and located in a tax increment financing district;

(3) property constituting or used as a public pedestrian ramp or concourse in connection with a public airport; ~~or~~

(4) property constituting or used as a passenger check-in area or ticket sale counter, boarding area, or luggage claim area in connection with a public airport but not the airports owned or operated by the Metropolitan Airports Commission or cities of over 50,000 population or an airport authority therein. Real estate owned by a municipality in connection with the operation of a public airport and leased or used for agricultural purposes is not exempt;

(5) property leased, loaned, or otherwise made available to a private individual, corporation, or association under a cooperative farming agreement made pursuant to section 97A.135; or

(6) property leased, loaned, or otherwise made available to a private individual, corporation, or association under section 272.68, subdivision 4.

(c) Taxes imposed by this subdivision are payable as in the case of personal property taxes and shall be assessed to the lessees or users of real or personal property in the same manner as taxes assessed to owners of real or personal property, except that such taxes shall not become a lien against the property. When due, the taxes shall constitute a debt due from the lessee or user to the state, township, city, county, and school district for which the taxes were assessed and shall be collected in the same manner as personal property taxes. If property subject to the tax imposed by this subdivision is leased or used jointly by two or more persons, each lessee or user shall be jointly and severally liable for payment of the tax.

(d) The tax on real property of the state or any of its political subdivisions that is leased by a private individual, association, or corporation and becomes taxable under this subdivision or other provision of law must be assessed and collected as a personal property assessment. The taxes do not become a lien against the real property.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 5. Minnesota Statutes 2004, section 272.02, subdivision 1a, is amended to read:

Subd. 1a. [LIMITATIONS ON EXEMPTIONS.] The exemptions granted by subdivision 1 are subject to the limits contained in the other subdivisions of this section, section 272.025, ~~or 273.13, subdivision 25, paragraph (e), clause (1) or (2), or paragraph (d), clause (2) and all other provisions of applicable law.~~

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 6. Minnesota Statutes 2004, section 272.02, subdivision 7, is amended to read:

Subd. 7. [INSTITUTIONS OF PUBLIC CHARITY.] Institutions of purely public charity are exempt ~~except parcels of property containing structures and the structures described in section 273.13, subdivision 25, paragraph (e), other than those that qualify for exemption under subdivision 26.~~ In determining whether rental housing property qualifies for exemption under this subdivision, the following are not gifts or donations to the owner of the rental housing:

(1) rent assistance provided by the government to or on behalf of tenants; and

(2) financing assistance or tax credits provided by the government to the owner on condition that specific units or a specific quantity of units be set aside for persons or families with certain income characteristics.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2004 and thereafter.

Sec. 7. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

Subd. 68. [PROPERTY SUBJECT TO TACONITE PRODUCTION TAX OR NET PROCEEDS TAX.] (a) Real and personal property described in section 298.25 is exempt to the extent the tax on taconite and iron sulphides under section 298.24 is described in section 298.25 as being in lieu of other taxes on such property. This exemption applies for taxes payable in each year that the tax under section 298.24 is payable with respect to such property.

(b) Deposits of mineral, metal, or energy resources the mining of which is subject to taxation under section 298.015 are exempt. This exemption applies for taxes payable in each year that the tax under section 298.015 is payable with respect to such property.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 8. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

Subd. 69. [RELIGIOUS CORPORATIONS.] Personal and real property that a religious corporation, formed under section 317A.909, necessarily uses for a religious purpose is exempt to the extent provided in section 317A.909, subdivision 3.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 9. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

Subd. 70. [CHILDREN'S HOMES.] Personal and real property owned by a corporation formed under section 317A.907 is exempt to the extent provided in section 317A.907, subdivision 7.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 10. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

Subd. 71. [HOUSING AND REDEVELOPMENT AUTHORITY AND TRIBAL HOUSING AUTHORITY PROPERTY.] Property owned by a housing and redevelopment authority described in chapter 469, or by a designated housing authority described in section 469.040, subdivision 5, is exempt to the extent provided in chapter 469.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 11. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

Subd. 72. [PROPERTY OF HOUSING AND REDEVELOPMENT AUTHORITIES.] Property of projects of housing and redevelopment authorities are exempt to the extent permitted by sections 469.042, subdivision 1, and 469.043, subdivisions 2 and 5.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 12. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

Subd. 73. [PROPERTY OF REGIONAL RAIL AUTHORITY.] Property of a regional rail authority as defined in chapter 398A is exempt to the extent permitted by section 398A.05.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 13. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

Subd. 74. [SPIRIT MOUNTAIN RECREATION AREA AUTHORITY.] Property owned by the Spirit Mountain Recreation Area Authority is exempt from taxation to the extent provided in Laws 1973, chapter 327, section 6.

Sec. 14. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

Subd. 75. [INSTALLED CAPACITY DEFINED.] For purposes of this section, the term "installed capacity" means generator nameplate capacity.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 15. Minnesota Statutes 2004, section 272.029, subdivision 4, is amended to read:

Subd. 4. [REPORTS.] (a) An owner of a wind energy conversion system subject to tax under subdivision 3 shall file a report with the commissioner of revenue annually on or before ~~March~~ February 1 detailing the amount of electricity in kilowatt-hours that was produced by the wind energy conversion system for the previous calendar year. The commissioner shall prescribe the form of the report. The report must contain the information required by the commissioner to determine the tax due to each county under this section for the current year. If an owner of a wind energy conversion system subject to taxation under this section fails to file the report by the due date, the commissioner of revenue shall determine the tax based upon the nameplate capacity of the system multiplied by a capacity factor of 40 percent.

(b) On or before ~~March 31~~ February 28, the commissioner of revenue shall notify the owner of the wind energy conversion systems of the tax due to each county for the current year and shall certify to the county auditor of each county in which the systems are located the tax due from each owner for the current year.

[EFFECTIVE DATE.] This section is effective for reports and certifications due in 2006 and thereafter.

Sec. 16. Minnesota Statutes 2004, section 272.029, subdivision 6, is amended to read:

Subd. 6. [DISTRIBUTION OF REVENUES.] Revenues from the taxes imposed under subdivision 5 must be part of the settlement between the county treasurer and the county auditor under section 276.09. The revenue must be distributed by the county auditor or the county treasurer to ~~all local~~ taxing jurisdictions in which the wind energy conversion system is located, as follows: beginning with distributions in 2006, 80 percent to counties; 14 percent to cities and townships; and six percent to school districts; and for distributions occurring in 2004 and 2005 in the same proportion that each of the local taxing jurisdiction's current year's net tax capacity based tax rate is to the current year's total local net tax capacity based rate.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 17. Minnesota Statutes 2004, section 273.11, subdivision 8, is amended to read:

Subd. 8. [LIMITED EQUITY COOPERATIVE APARTMENTS.] For the purposes of this subdivision, the terms defined in this subdivision have the meanings given them.

A "limited equity cooperative" is a corporation organized under chapter 308A or 308B, which has as its primary purpose the provision of housing and related services to its members which meets one of the following criteria with respect to the income of its members: (1) a minimum of 75 percent of members must have incomes at or less than 90 percent of area median income, (2) a minimum of 40 percent of members must have incomes at or less than 60 percent of area median income, or (3) a minimum of 20 percent of members must have incomes at or less than 50 percent of area median income. For purposes of this clause, "member income" shall mean the income of a member existing at the time the member acquires cooperative membership, and median income shall mean the St. Paul-Minneapolis metropolitan area median income as determined by the United States Department of Housing and Urban Development. It must also meet the following requirements:

(a) The articles of incorporation set the sale price of occupancy entitling cooperative shares or memberships at no more than a transfer value determined as provided in the articles. That value may not exceed the sum of the following:

(1) the consideration paid for the membership or shares by the first occupant of the unit, as shown in the records of the corporation;

(2) the fair market value, as shown in the records of the corporation, of any improvements to the real property that were installed at the sole expense of the member with the prior approval of the board of directors;

(3) accumulated interest, or an inflation allowance not to exceed the greater of a ten percent annual noncompounded increase on the consideration paid for the membership or share by the first occupant of the unit, or the amount that would have been paid on that consideration if interest had been paid on it at the rate of the percentage increase in the revised Consumer Price Index for All Urban Consumers for the Minneapolis-St. Paul metropolitan area prepared by the United States Department of Labor, provided that the amount determined pursuant to this clause may not exceed \$500 for each year or fraction of a year the membership or share was owned; plus

(4) real property capital contributions shown in the records of the corporation to have been paid by the transferor member and previous holders of the same membership, or of separate memberships that had entitled occupancy to the unit of the member involved. These contributions include contributions to a corporate reserve account the use of which is restricted to real property improvements or acquisitions, contributions to the corporation which are used for real property improvements or acquisitions, and the amount of principal amortized by the corporation on its indebtedness due to the financing of real property acquisition or improvement or the averaging of principal paid by the corporation over the term of its real property-related indebtedness.

(b) The articles of incorporation require that the board of directors limit the purchase price of stock or membership interests for new member-occupants or resident shareholders to an amount which does not exceed the transfer value for the membership or stock as defined in clause (a).

(c) The articles of incorporation require that the total distribution out of capital to a member shall not exceed that transfer value.

(d) The articles of incorporation require that upon liquidation of the corporation any assets remaining after retirement of corporate debts and distribution to members will be conveyed to a charitable organization described in section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1992, or a public agency.

A "limited equity cooperative apartment" is a dwelling unit owned by a limited equity cooperative.

"Occupancy entitling cooperative share or membership" is the ownership interest in a cooperative organization which entitles the holder to an exclusive right to occupy a dwelling unit owned or leased by the cooperative.

For purposes of taxation, the assessor shall value a unit owned by a limited equity cooperative at the lesser of its market value or the value determined by capitalizing the net operating income of a comparable apartment operated on a rental basis at the capitalization rate used in valuing comparable buildings that are not limited equity cooperatives. If a cooperative fails to operate in accordance with the provisions of clauses (a) to (d), the property shall be subject to additional property taxes in the amount of the difference between the taxes determined in accordance with this subdivision for the last ten years that the property had been assessed pursuant to this subdivision and the amount that would have been paid if the provisions of this subdivision had not applied to it. The additional taxes, plus interest at the rate specified in section 549.09, shall be extended against the property on the tax list for the current year.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2004 and thereafter.

Sec. 18. Minnesota Statutes 2004, section 273.124, subdivision 3, is amended to read:

Subd. 3. [COOPERATIVES AND CHARITABLE CORPORATIONS; HOMESTEAD AND OTHER PROPERTY.] (a) When property is owned by a corporation or association organized under chapter 308A or 308B, and each person who owns a share or shares in the corporation or association is entitled to occupy a building on the property, or a unit within a building on the property, the corporation or association may claim homestead treatment for each dwelling, or for each unit in the case of a building containing several dwelling units, or for the part of the value of the building occupied by a shareholder. Each building or unit must be designated by legal description or number. The net tax capacity of each building or unit that qualifies for assessment as a homestead under this subdivision must include not more than one-half acre of land, if platted, nor more than 80 acres if unplatted. The net tax capacity of the property is the sum of the net tax capacities of each of the respective buildings or units comprising the property, including the net tax capacity of each unit's or building's proportionate share of the land and any common buildings. To qualify for the treatment provided by this subdivision, the corporation or association must be wholly owned by persons having a right to occupy a building or unit owned by the corporation or association. A charitable corporation organized under the laws of Minnesota and not otherwise exempt thereunder with no outstanding stock qualifies for homestead treatment with respect to member residents of the dwelling units who have purchased and hold residential participation warrants entitling them to occupy the units.

(b) To the extent provided in paragraph (a), a cooperative or corporation organized under chapter 308A may obtain separate assessment and valuation, and separate property tax statements for each residential homestead, residential nonhomestead, or for each seasonal residential recreational building or unit not used for commercial purposes. The appropriate class rates under section 273.13 shall be applicable as if each building or unit were a

separate tax parcel; provided, however, that the tax parcel which exists at the time the cooperative or corporation makes application under this subdivision shall be a single parcel for purposes of property taxes or the enforcement and collection thereof, other than as provided in paragraph (a) or this paragraph.

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

(d) When a building, or dwelling units within a building, no longer qualify under paragraph (a) or (b), the current owner must notify the assessor within 30 days. Failure to notify the assessor within 30 days shall result in the loss of benefits under paragraph (a) or (b) for taxes payable in the year that the failure is discovered. For these purposes, "benefits under paragraph (a) or (b)" means the difference in the net tax capacity of the building or units which no longer qualify as computed under paragraph (a) or (b) and as computed under the otherwise applicable law, times the local tax rate applicable to the building for that taxes payable year. Upon discovery of a failure to notify, the assessor shall inform the auditor of the difference in net tax capacity for the building or buildings in which units no longer qualify, and the auditor shall calculate the benefits under paragraph (a) or (b). Such amount, plus a penalty equal to 100 percent of that amount, shall then be demanded of the building's owner. The property owner may appeal the county's determination by serving copies of a petition for review with county officials as provided in section 278.01 and filing a proof of service as provided in section 278.01 with the Minnesota Tax Court within 60 days of the date of the notice from the county. The appeal shall be governed by the Tax Court procedures provided in chapter 271, for cases relating to the tax laws as defined in section 271.01, subdivision 5; disregarding sections 273.125, subdivision 5, and 278.03, but including section 278.05, subdivision 2. If the amount of the benefits under paragraph (a) or (b) and penalty are not paid within 60 days, and if no appeal has been filed, the county auditor shall certify the amount of the benefit and penalty to the succeeding year's tax list to be collected as part of the property taxes on the affected property.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2004 and thereafter.

Sec. 19. Minnesota Statutes 2004, section 273.124, subdivision 6, is amended to read:

Subd. 6. [LEASEHOLD COOPERATIVES.] When one or more dwellings or one or more buildings which each contain several dwelling units is owned by a nonprofit corporation subject to the provisions of chapter 317A and qualifying under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as amended through December 31, 1990, or a limited partnership which corporation or partnership operates the property in conjunction with a cooperative association, and has received public financing, homestead treatment may be claimed by the cooperative association on behalf of the members of the cooperative for each dwelling unit occupied by a member of the cooperative. The cooperative association must provide the assessor with the Social Security numbers of those members. To qualify for the treatment provided by this subdivision, the following conditions must be met:

(a) the cooperative association must be organized under chapter 308A or 308B and all voting members of the board of directors must be resident tenants of the cooperative and must be elected by the resident tenants of the cooperative;

(b) the cooperative association must have a lease for occupancy of the property for a term of at least 20 years, which permits the cooperative association, while not in default on the lease, to participate materially in the management of the property, including material participation in establishing budgets, setting rent levels, and hiring and supervising a management agent;

(c) to the extent permitted under state or federal law, the cooperative association must have a right under a written agreement with the owner to purchase the property if the owner proposes to sell it; if the cooperative association does not purchase the property it is offered for sale, the owner may not subsequently sell the property to another purchaser at a price lower than the price at which it was offered for sale to the cooperative association unless the cooperative association approves the sale;

(d) a minimum of 40 percent of the cooperative association's members must have incomes at or less than 60 percent of area median gross income as determined by the United States Secretary of Housing and Urban Development under section 142(d)(2)(B) of the Internal Revenue Code of 1986, as amended through December 31, 1991. For purposes of this clause, "member income" means the income of a member existing at the time the member acquires cooperative membership;

(e) if a limited partnership owns the property, it must include as the managing general partner a nonprofit organization operating under the provisions of chapter 317A and qualifying under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as amended through December 31, 1990, and the limited partnership agreement must provide that the managing general partner have sufficient powers so that it materially participates in the management and control of the limited partnership;

(f) prior to becoming a member of a leasehold cooperative described in this subdivision, a person must have received notice that (1) describes leasehold cooperative property in plain language, including but not limited to the effects of classification under this subdivision on rents, property taxes and tax credits or refunds, and operating expenses, and (2) states that copies of the articles of incorporation and bylaws of the cooperative association, the lease between the owner and the cooperative association, a sample sublease between the cooperative association and a tenant, and, if the owner is a partnership, a copy of the limited partnership agreement, can be obtained upon written request at no charge from the owner, and the owner must send or deliver the materials within seven days after receiving any request;

(g) if a dwelling unit of a building was occupied on the 60th day prior to the date on which the unit became leasehold cooperative property described in this subdivision, the notice described in paragraph (f) must have been sent by first class mail to the occupant of the unit at least 60 days prior to the date on which the unit became leasehold cooperative property. For purposes of the notice under this paragraph, the copies of the documents referred to in paragraph (f) may be in proposed version, provided that any subsequent material alteration of those documents made after the occupant has requested a copy shall be disclosed to any occupant who has requested a copy of the document. Copies of the articles of incorporation and certificate of limited partnership shall be filed with the secretary of state after the expiration of the 60-day period unless the change to leasehold cooperative status does not proceed;

(h) the county attorney of the county in which the property is located must certify to the assessor that the property meets the requirements of this subdivision;

(i) the public financing received must be from at least one of the following sources:

(1) tax increment financing proceeds used for the acquisition or rehabilitation of the building or interest rate write-downs relating to the acquisition of the building;

(2) government issued bonds exempt from taxes under section 103 of the Internal Revenue Code of 1986, as amended through December 31, 1991, the proceeds of which are used for the acquisition or rehabilitation of the building;

(3) programs under section 221(d)(3), 202, or 236, of Title II of the National Housing Act;

(4) rental housing program funds under Section 8 of the United States Housing Act of 1937 or the market rate family graduated payment mortgage program funds administered by the Minnesota Housing Finance Agency that are used for the acquisition or rehabilitation of the building;

(5) low-income housing credit under section 42 of the Internal Revenue Code of 1986, as amended through December 31, 1991;

(6) public financing provided by a local government used for the acquisition or rehabilitation of the building, including grants or loans from (i) federal community development block grants; (ii) HOME block grants; or (iii) residential rental bonds issued under chapter 474A; or

(7) other rental housing program funds provided by the Minnesota Housing Finance Agency for the acquisition or rehabilitation of the building;

(j) at the time of the initial request for homestead classification or of any transfer of ownership of the property, the governing body of the municipality in which the property is located must hold a public hearing and make the following findings:

(1) that the granting of the homestead treatment of the apartment's units will facilitate safe, clean, affordable housing for the cooperative members that would otherwise not be available absent the homestead designation;

(2) that the owner has presented information satisfactory to the governing body showing that the savings garnered from the homestead designation of the units will be used to reduce tenant's rents or provide a level of furnishing or maintenance not possible absent the designation; and

(3) that the requirements of paragraphs (b), (d), and (i) have been met.

Homestead treatment must be afforded to units occupied by members of the cooperative association and the units must be assessed as provided in subdivision 3, provided that any unit not so occupied shall be classified and assessed pursuant to the appropriate class. No more than three acres of land may, for assessment purposes, be included with each dwelling unit that qualifies for homestead treatment under this subdivision.

When dwelling units no longer qualify under this subdivision, the current owner must notify the assessor within 60 days. Failure to notify the assessor within 60 days shall result in the loss of benefits under this subdivision for taxes payable in the year that the failure is discovered. For these purposes, "benefits under this subdivision" means the difference in the net tax capacity of the units which no longer qualify as computed under this subdivision and as computed under the otherwise applicable law, times the local tax rate applicable to the building for that taxes payable year. Upon discovery of a failure to notify, the assessor shall inform the auditor of the difference in net tax capacity for the building or buildings in which units no longer qualify, and the auditor shall calculate the benefits under this subdivision. Such amount, plus a penalty equal to 100 percent of that amount, shall then be demanded of the building's owner. The property owner may appeal the county's determination by serving copies of a petition for review with county officials as provided in section 278.01 and filing a proof of service as provided in section 278.01 with the Minnesota Tax Court within 60 days of the date of the notice from the county. The appeal shall be governed by the Tax Court procedures provided in chapter 271, for cases relating to the tax laws as defined in section 271.01, subdivision 5; disregarding sections 273.125, subdivision 5, and 278.03, but including section 278.05, subdivision 2. If the amount of the benefits under this subdivision and penalty are not paid within 60 days, and if no appeal has been filed, the county auditor shall certify the amount of the benefit and penalty to the succeeding year's tax list to be collected as part of the property taxes on the affected buildings.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2004 and thereafter.

Sec. 20. Minnesota Statutes 2004, section 273.124, subdivision 8, is amended to read:

Subd. 8. [HOMESTEAD OWNED BY OR LEASED TO FAMILY FARM CORPORATION, JOINT FARM VENTURE, LIMITED LIABILITY COMPANY, OR PARTNERSHIP.] (a) Each family farm corporation, ~~each~~; each joint family farm venture; and each limited liability company, ~~and each~~ or partnership ~~operating which operates~~ a family farm; is entitled to class 1b under section 273.13, subdivision 22, paragraph (b), or class 2a assessment for one homestead occupied by a shareholder, member, or partner thereof who is residing on the land,

and actively engaged in farming of the land owned by the family farm corporation, joint family farm venture, limited liability company, or partnership ~~operating a family farm~~. Homestead treatment applies even if legal title to the property is in the name of the family farm corporation, joint family farm venture, limited liability company, or partnership ~~operating the family farm~~, and not in the name of the person residing on it.

"Family farm corporation," "family farm," and "partnership operating a family farm" have the meanings given in section 500.24, except that the number of allowable shareholders, members, or partners under this subdivision shall not exceed 12. "Limited liability company" has the meaning contained in sections 322B.03, subdivision 28, and 500.24, subdivision 2, paragraphs (l) and (m). "Joint family farm venture" means a cooperative agreement among two or more farm enterprises authorized to operate a family farm under section 500.24.

(b) In addition to property specified in paragraph (a), any other residences owned by family farm corporations, joint family farm ventures, limited liability companies, or partnerships ~~operating a family farm~~ described in paragraph (a) which are located on agricultural land and occupied as homesteads by its shareholders, members, or partners who are actively engaged in farming on behalf of that corporation, joint farm venture, limited liability company, or partnership must also be assessed as class 2a property or as class 1b property under section 273.13.

(c) Agricultural property that is owned by a member, partner, or shareholder of a family farm corporation or joint family farm venture, limited liability company operating a family farm, or by a partnership operating a family farm and leased to the family farm corporation, limited liability company, ~~or partnership operating a family farm~~, or joint farm venture, as defined in paragraph (a), is eligible for classification as class 1b or class 2a under section 273.13, if the owner is actually residing on the property, and is actually engaged in farming the land on behalf of that corporation, joint farm venture, limited liability company, or partnership. This paragraph applies without regard to any legal possession rights of the family farm corporation, joint family farm venture, limited liability company, or partnership ~~operating a family farm~~ under the lease.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 21. Minnesota Statutes 2004, section 273.124, subdivision 21, is amended to read:

Subd. 21. [TRUST PROPERTY; HOMESTEAD.] Real property held by a trustee under a trust is eligible for classification as homestead property if:

- (1) the grantor or surviving spouse of the grantor of the trust occupies and uses the property as a homestead;
- (2) a relative or surviving relative of the grantor who meets the requirements of subdivision 1, paragraph (c), in the case of residential real estate; or subdivision 1, paragraph (d), in the case of agricultural property, occupies and uses the property as a homestead;
- (3) a family farm corporation, joint farm venture, limited liability company, or partnership operating a family farm rents the property held by a trustee under a trust, and the grantor, the spouse of the grantor, or the son or daughter of the grantor, who is also a shareholder, member, or partner of the corporation, joint farm venture, limited liability company, or partnership occupies and uses the property as a homestead, ~~and or~~ is actively farming the property on behalf of the corporation, joint farm venture, limited liability company, or partnership; or
- (4) a person who has received homestead classification for property taxes payable in 2000 on the basis of an unqualified legal right under the terms of the trust agreement to occupy the property as that person's homestead and who continues to use the property as a homestead or a person who received the homestead classification for taxes payable in 2005 under clause (3) who does not qualify under clause (3) for taxes payable in 2006 or thereafter but who continues to qualify under clause (3) as it existed for taxes payable in 2005.

For purposes of this subdivision, "grantor" is defined as the person creating or establishing a testamentary, inter vivos, revocable or irrevocable trust by written instrument or through the exercise of a power of appointment.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2006 and thereafter.

Sec. 22. Minnesota Statutes 2004, section 273.1315, is amended to read:

273.1315 [CERTIFICATION OF 1B PROPERTY.]

Any property owner seeking classification and assessment of the owner's homestead as class 1b property pursuant to section 273.13, subdivision 22, paragraph (b), shall file with the commissioner of revenue a 1b homestead declaration, on a form prescribed by the commissioner. The declaration shall contain the following information:

(a) the information necessary to verify that on or before June 30 of the filing year, the property owner or the owner's spouse satisfies the requirements of section 273.13, subdivision 22, paragraph (b), for 1b classification; and

(b) any additional information prescribed by the commissioner.

The declaration must be filed on or before October 1 to be effective for property taxes payable during the succeeding calendar year. The declaration and any supplementary information received from the property owner pursuant to this section shall be subject to chapter 270B. If approved by the commissioner, the declaration remains in effect until the property no longer qualifies under section 273.13, subdivision 22, paragraph (b). Failure to notify the commissioner within 30 days that the property no longer qualifies under that paragraph because of a sale, change in occupancy, or change in the status or condition of an occupant shall result in the penalty provided in section 273.124, subdivision 13, computed on the basis of the class 1b benefits for the property, and the property shall lose its current class 1b classification.

The commissioner shall provide to the assessor on or before November 1 a listing of the parcels of property qualifying for 1b classification.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 23. Minnesota Statutes 2004, section 273.19, subdivision 1a, is amended to read:

Subd. 1a. For purposes of this section, a lease includes any agreement, except a cooperative farming agreement pursuant to section 97A.135, subdivision 3, or a lease executed pursuant to section 272.68, subdivision 4, permitting a nonexempt person or entity to use the property, regardless of whether the agreement is characterized as a lease. A lease has a "term of at least one year" if the term is for a period of less than one year and the lease permits the parties to renew the lease without requiring that similar terms for leasing the property will be offered to other applicants or bidders through a competitive bidding or other form of offer to potential lessees or users.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 24. Minnesota Statutes 2004, section 273.372, is amended to read:

273.372 [PROCEEDINGS AND APPEALS; UTILITY OR RAILROAD VALUATIONS.]

Subdivision 1. [SCOPE.] (a) As provided in this section, an appeal by a utility or railroad company concerning ~~the exemption, valuation, or classification of~~ property for which the commissioner of revenue has provided the city or county assessor with valuations by order, or for which the commissioner has recommended values to the city or county assessor, must be brought against the commissioner ~~in Tax Court or in district court of the county where the property is located~~, and not against the county or taxing district where the property is located.

(b) This section governs administrative appeals and appeals to court of a claim that utility or railroad operating property has been partially, unfairly, or unequally assessed, or assessed at a valuation greater than its real or actual value, misclassified, or that the property is exempt. This section applies only to property described in sections 270.81, subdivision 1, 273.33, 273.35, 273.36, and 273.37, and only with regard to taxable net tax capacities that have been provided to the city or county by the commissioner and which have not been changed by city or county. If the taxable net tax capacity being appealed is not the taxable net tax capacity established by the commissioner, or if the appeal claims that the tax rate applied against the parcel is incorrect, or that the tax has been paid, this section does not apply.

Subd. 2. [CONTENTS AND FILING OF PETITION.] (a) In all appeals to court that are required to be brought against the commissioner under this section, the petition initiating the appeal must be served on the commissioner and must be filed with the Tax Court in Ramsey County, as provided in paragraph (b) or (c).

(b) If the appeal to court is from an order of the commissioner, it must be brought under chapter 271, except that when the provisions of this section conflict with chapter 271, this section prevails. In addition, the petition must include all the parcels encompassed by that order which the petitioner claims have been partially, unfairly, or unequally assessed, assessed at a valuation greater than their real or actual value, misclassified, or are exempt. For this purpose, an order of the commissioner is either (1) a certification or notice of value by the commissioner for property described in subdivision 1, or (2) the final determination by the commissioner of either an administrative appeal conference or informal administrative appeal described in subdivision 4.

(c) If the appeal is from the exemption, valuation, classification, or tax that results from implementation of the commissioner's order, certification, or recommendation, it must be brought under chapter 278, and the provisions in that chapter apply, except that service shall be on the commissioner only and not on the ~~county~~ local officials specified in section 278.01, subdivision 1, and if any other provision of this section conflicts with chapter 278, this section prevails. In addition, the petition must include either all the utility parcels or all the railroad parcels in the state in which the petitioner claims an interest and which the petitioner claims have been partially, unfairly, or unequally assessed, assessed at a valuation greater than their real or actual value, misclassified, or are exempt. This provision applies to the property described in sections 273.33, 273.35, 273.36, and 273.37, but only if the appealed values have remained unchanged from those provided to the city or county by the commissioner. If the exemption, valuation, or classification being appealed has been changed by the city or county, then the action must be brought under chapter 278 in the county where the property is located and proper service must be made upon the county officials as specified in section 278.01, subdivision 1.

Subd. 3. [NOTICE.] Upon filing of any appeal in court by a utility company or railroad against the commissioner pursuant to this section, the commissioner shall give notice by first class mail to the county auditor of each county which would be affected by the appeal where property included in the petition is located.

Subd. 4. [ADMINISTRATIVE APPEALS.] (a) Companies that submit the reports under section 270.82 or 273.371 by the date specified in that section, or by the date specified by the commissioner in an extension, may appeal administratively to the commissioner under the procedures in section 270.11, subdivision 6, prior to bringing an action in Tax Court or in district court, however, instituting an administrative appeal by submitting a written request with the commissioner does not change or modify for a conference within ten days after the date of the commissioner's valuation certification or notice to the company, or by May 15, whichever is earlier. The commissioner shall conduct the conference upon the commissioner's entire files and records and such further information as may be offered. The conference must be held no later than 20 days after the date of the commissioner's valuation certification or notice to the company, or by the date specified by the commissioner in an extension. At a reasonable time after the conference the commissioner shall make a final determination of the matter and shall notify the company promptly of the determination. The conference is not a contested case hearing.

(b) In addition to the opportunity for a conference under paragraph (a), the commissioner shall make a more informal procedure available to railroad and utility companies to question values established by the commissioner through certification or notice. The availability of the informal procedure does not change or modify the deadline for requesting a conference under paragraph (a), the deadline in section 271.06 for appealing an order of the commissioner in Tax Court, or the deadline in section 278.01 for filing a property tax claim or objection in Tax Court or district appealing property taxes in court.

[EFFECTIVE DATE.] This section is effective September 1, 2005, and thereafter.

Sec. 25. Minnesota Statutes 2004, section 274.014, subdivision 2, is amended to read:

Subd. 2. [APPEALS AND EQUALIZATION COURSE.] ~~By no later than January 1, Beginning in 2006,~~ and each year thereafter, there must be at least one member at each meeting of a local board of appeal and equalization who has attended an appeals and equalization course developed or approved by the commissioner within the last four years, as certified by the commissioner. The course may be offered in conjunction with a meeting of the Minnesota League of Cities or the Minnesota Association of Townships. The course content must include, but need not be limited to, a review of the handbook developed by the commissioner under subdivision 1.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 26. Minnesota Statutes 2004, section 274.014, subdivision 3, is amended to read:

Subd. 3. [PROOF OF COMPLIANCE; TRANSFER OF DUTIES.] (a) Any city or town that ~~does not conducts~~ local boards of appeal and equalization meetings must provide proof to the county assessor by December 1, 2006, and each year thereafter, that it is in compliance with the requirements of subdivision 2, ~~and that it had.~~ Beginning in 2006, this notice must also verify that there was a quorum of voting members at each meeting of the board of appeal and equalization in the prior current year. A city or town that does not comply with these requirements is deemed to have transferred its board of appeal and equalization powers to the county under section 274.01, subdivision 3, for beginning with the following year's assessment and continuing unless the powers are reinstated under paragraph (c).

(b) The county shall notify the taxpayers when the board of appeal and equalization for a city or town has been transferred to the county under this subdivision and, prior to the meeting time of the county board of equalization, the county shall make available to those taxpayers a procedure for a review of the assessments, including, but not limited to, open book meetings. This alternate review process shall take place in April and May.

(c) A local board whose powers are transferred to the county under this subdivision may be reinstated by resolution of the governing body of the city or town and upon proof of compliance with the requirements of subdivision 2. The resolution and proofs must be provided to the county assessor by December 1 in order to be effective for the following year's assessment.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 27. Minnesota Statutes 2004, section 274.14, is amended to read:

274.14 [LENGTH OF SESSION; RECORD.]

~~The county board of equalization or the special board of equalization appointed by it shall meet during the last ten meeting days in June. For this purpose, "meeting days" are defined as any day of the week excluding Saturday and Sunday. The board may meet on any ten consecutive meeting days in June, after the second Friday in June, if. The actual meeting dates are must be contained on the valuation notices mailed to each property owner in the county~~

~~under~~ as provided in section 273.121. For this purpose, "meeting days" is defined as any day of the week excluding Saturday and Sunday. No action taken by the county board of review after June 30 is valid, except for corrections permitted in sections 273.01 and 274.01. The county auditor shall keep an accurate record of the proceedings and orders of the board. The record must be published like other proceedings of county commissioners. A copy of the published record must be sent to the commissioner of revenue, with the abstract of assessment required by section 274.16.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 28. Minnesota Statutes 2004, section 275.07, subdivision 1, is amended to read:

Subdivision 1. [CERTIFICATION OF LEVY.] (a) Except as provided under paragraph (b), the taxes voted by cities, counties, school districts, and special districts shall be certified by the proper authorities to the county auditor on or before five working days after December 20 in each year. A town must certify the levy adopted by the town board to the county auditor by September 15 each year. If the town board modifies the levy at a special town meeting after September 15, the town board must recertify its levy to the county auditor on or before five working days after December 20. ~~The taxes certified shall be reduced by the county auditor by the aid received under section 273.1398, subdivision 3.~~ If a city, town, county, school district, or special district fails to certify its levy by that date, its levy shall be the amount levied by it for the preceding year.

(b)(i) The taxes voted by counties under sections 103B.241, 103B.245, and 103B.251 shall be separately certified by the county to the county auditor on or before five working days after December 20 in each year. The taxes certified shall not be reduced by the county auditor by the aid received under section 273.1398, subdivision 3. If a county fails to certify its levy by that date, its levy shall be the amount levied by it for the preceding year.

(ii) For purposes of the proposed property tax notice under section 275.065 and the property tax statement under section 276.04, for the first year in which the county implements the provisions of this paragraph, the county auditor shall reduce the county's levy for the preceding year to reflect any amount levied for water management purposes under clause (i) included in the county's levy.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 29. Minnesota Statutes 2004, section 275.07, subdivision 4, is amended to read:

Subd. 4. [REPORT TO COMMISSIONER.] (a) On or before October 8 of each year, the county auditor shall report to the commissioner of revenue the proposed levy certified by local units of government under section 275.065, subdivision 1. If any taxing authorities have notified the county auditor that they are in the process of negotiating an agreement for sharing, merging, or consolidating services but that when the proposed levy was certified under section 275.065, subdivision 1c, the agreement was not yet finalized, the county auditor shall supply that information to the commissioner when filing the report under this section and shall recertify the affected levies as soon as practical after October 10.

(b) On or before January 15 of each year, the county auditor shall report to the commissioner of revenue the final levy certified by local units of government under subdivision 1.

(c) The levies must be reported in the manner prescribed by the commissioner. ~~The reports must show a total levy and the amount of each special levy.~~

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 30. Minnesota Statutes 2004, section 276.112, is amended to read:

276.112 [STATE PROPERTY TAXES; COUNTY TREASURER.]

On or before January 25 each year, for the period ending December 31 of the prior year, and on or before June ~~29~~ 28 each year, for the period ending on the most recent settlement day determined in section 276.09, and on or before December 2 each year, for the period ending November 20, the county treasurer must make full settlement with the county auditor according to sections 276.09, 276.10, and 276.111 for all receipts of state property taxes levied under section 275.025, and must transmit those receipts to the commissioner of revenue by electronic means.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 31. Minnesota Statutes 2004, section 282.016, is amended to read:

282.016 [PROHIBITED PURCHASERS.]

~~No (a) A~~ A county auditor, county treasurer, county attorney, court administrator of the district court, ~~or~~ county assessor ~~or~~ supervisor of assessments, ~~or~~ deputy or clerk or an employee of such officer, ~~and no~~ a commissioner for tax-forfeited lands or an assistant to such commissioner ~~may~~ must not become a purchaser, either personally or as an agent or attorney for another person, of the properties offered for sale under the provisions of this chapter, ~~either personally, or as agent or attorney for any other person, except that in the county for which the person performs duties. A person prohibited from purchasing property under this section must not directly or indirectly have another person purchase it on behalf of the prohibited purchaser for the prohibited purchaser's benefit or gain.~~

(b) Notwithstanding paragraph (a), such officer, deputy, ~~court administrator clerk~~, or employee or commissioner for tax-forfeited lands or assistant to such commissioner may (1) purchase lands owned by that official at the time the state became the absolute owner thereof or (2) bid upon and purchase forfeited property offered for sale under the alternate sale procedure described in section 282.01, subdivision 7a.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 32. Minnesota Statutes 2004, section 282.08, is amended to read:

282.08 [APPORTIONMENT OF PROCEEDS TO TAXING DISTRICTS.]

The net proceeds from the sale or rental of any parcel of forfeited land, or from the sale of products from the forfeited land, must be apportioned by the county auditor to the taxing districts interested in the land, as follows:

~~(1) the amounts necessary to pay the state general tax levy against the parcel for taxes payable in the year for which the tax judgment was entered, and for each subsequent payable year up to and including the year of forfeiture, must be apportioned to the state;~~

~~(2)~~ the portion required to pay any amounts included in the appraised value under section 282.01, subdivision 3, as representing increased value due to any public improvement made after forfeiture of the parcel to the state, but not exceeding the amount certified by the clerk of the municipality must be apportioned to the municipal subdivision entitled to it;

~~(3)~~ (2) the portion required to pay any amount included in the appraised value under section 282.019, subdivision 5, representing increased value due to response actions taken after forfeiture of the parcel to the state, but not exceeding the amount of expenses certified by the Pollution Control Agency or the commissioner of agriculture, must be apportioned to the agency or the commissioner of agriculture and deposited in the fund from which the expenses were paid;

(4) (3) the portion of the remainder required to discharge any special assessment chargeable against the parcel for drainage or other purpose whether due or deferred at the time of forfeiture, must be apportioned to the municipal subdivision entitled to it; and

(5) (4) any balance must be apportioned as follows:

(i) The county board may annually by resolution set aside no more than 30 percent of the receipts remaining to be used for timber development on tax-forfeited land and dedicated memorial forests, to be expended under the supervision of the county board. It must be expended only on projects approved by the commissioner of natural resources.

(ii) The county board may annually by resolution set aside no more than 20 percent of the receipts remaining to be used for the acquisition and maintenance of county parks or recreational areas as defined in sections 398.31 to 398.36, to be expended under the supervision of the county board.

(iii) Any balance remaining must be apportioned as follows: county, 40 percent; town or city, 20 percent; and school district, 40 percent, provided, however, that in unorganized territory that portion which would have accrued to the township must be administered by the county board of commissioners.

[EFFECTIVE DATE.] This section is effective the day following final enactment for state general tax levy amounts payable in 2004 and thereafter.

Sec. 33. Minnesota Statutes 2004, section 282.15, is amended to read:

282.15 [SALES OF FORFEITED AGRICULTURAL LANDS.]

The sale shall be conducted by the auditor of the county in which the parcels lie. The parcels shall be sold to the highest bidder but not for less than the appraised value. The sales shall be for cash or on the following terms: The appraised value of all merchantable timber on agricultural lands shall be paid for in full at the date of sale. At least 15 percent of the purchase price of the land shall be paid in cash at the time of purchase. The balance shall be paid in not more than 20 equal annual installments, with interest at a rate equal to the rate in effect at the time under section 549.09 on the unpaid balance each year. Both principal and interest are due and payable on December 31 each year following that in which the purchase was made. The purchaser may pay any number of installments of principal and interest on or before their due date. When the sale is on terms other than for cash in full, the purchaser shall receive from the county auditor a contract for deed, in a form prescribed by the attorney general. The county auditor shall make a report to the commissioner of natural resources not more than 30 days after each public sale showing the lands sold at the sales, and submit a copy of each contract of sale.

All lands sold pursuant to this section ~~shall, on the second day of January following the date of the sale, must be~~ restored to the tax rolls and become subject to taxation in the same manner as they were assessed and taxed before becoming the absolute property of the state for the assessment year determined under section 272.02, subdivision 38, paragraph (c).

[EFFECTIVE DATE.] This section is effective for sales occurring on or after July 1, 2005.

Sec. 34. Minnesota Statutes 2004, section 282.21, is amended to read:

282.21 [FORM OF CONVEYANCE.]

When any sale has been made under sections 282.14 to 282.22, upon payment in full of the purchase price, appropriate conveyance in fee in such form as may be prescribed by the attorney general shall be issued by the commissioner of finance to the purchaser or the purchaser's assigns and this conveyance shall have the force and effect of a patent from the state.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 35. Minnesota Statutes 2004, section 282.224, is amended to read:

282.224 [FORM OF CONVEYANCE.]

When any sale has been made under sections 282.221 to 282.226, upon payment in full of the purchase price, appropriate conveyance in fee, in such form as may be prescribed by the attorney general, shall be issued by the commissioner of natural resources to the purchaser or the purchaser's assignee, and the conveyance shall have the force and effect of a patent from the state.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 36. Minnesota Statutes 2004, section 282.301, is amended to read:

282.301 [RECEIPTS FOR PAYMENTS.]

When any sale has been made under sections 282.012 and 282.241 to 282.324, the purchaser shall receive from the county auditor at the time of repurchase a receipt, in such form as may be prescribed by the attorney general. When the purchase price of a parcel of land shall be paid in full, the following facts shall be certified by the county auditor to the commissioner of revenue of the state of Minnesota: the description of land, the date of sale, the name of the purchaser or the purchaser's assignee, and the date when the final installment of the purchase price was paid. Upon payment in full of the purchase price, the purchaser or the assignee shall receive a quitclaim deed from the state, to be executed by the commissioner of revenue. The deed must be sent to the county auditor who shall have it recorded before it is forwarded to the purchaser. Failure to make any payment herein required shall constitute default and upon such default and cancellation in accord with section 282.40, the right, title and interest of the purchaser or the purchaser's heirs, representatives, or assigns in such parcel shall terminate.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 37. Minnesota Statutes 2004, section 290B.05, subdivision 3, is amended to read:

Subd. 3. [CALCULATION OF DEFERRED PROPERTY TAX AMOUNT.] When final property tax amounts for the following year have been determined, the county auditor shall calculate the "deferred property tax amount." The deferred property tax amount is equal to the lesser of (1) the maximum allowable deferral for the year; or (2) the difference between (i) the total amount of property taxes and special assessments levied upon the qualifying homestead by all taxing jurisdictions and (ii) the maximum property tax amount. ~~Any special assessments levied by any local unit of government must not be included in the total tax used to calculate the deferred tax amount.~~ For this purpose "special assessments" includes any assessment, fee, or other charge that may by law, and which does, appear on the property tax statement for the property for collection under the laws applicable to the enforcement of

real estate taxes. Any tax attributable to new improvements made to the property after the initial application has been approved under section 290B.04, subdivision 2, must be excluded when determining any subsequent deferred property tax amount. The county auditor shall annually, on or before April 15, certify to the commissioner of revenue the property tax deferral amounts determined under this subdivision by property and by owner.

[EFFECTIVE DATE.] This section is effective for amounts deferred in 2006 and thereafter.

Sec. 38. Minnesota Statutes 2004, section 290C.05, is amended to read:

290C.05 [ANNUAL CERTIFICATION.]

On or before July 1 of each year, beginning with the year after the claimant has received an approved application, the commissioner shall send each claimant enrolled under the sustainable forest incentive program a certification form. The claimant must sign the certification, attesting that the requirements and conditions for continued enrollment in the program are currently being met, and must return the signed certification form to the commissioner by August 15 of that same year. ~~Failure to~~ If the claimant does not return an annual certification form by the due date ~~shall result in removal of the lands from the provisions of the sustainable forest incentive program, and the imposition of any applicable removal penalty, the provisions in section 290C.11 apply. The claimant may appeal the removal and any associated penalty according to the procedures and within the time allowed under this chapter.~~

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 39. [290C.055] [LENGTH OF COVENANT.]

The covenant remains in effect for a minimum of eight years. If land is removed from the program before it has been enrolled for four years, the covenant remains in effect for eight years from the date recorded.

If land that has been enrolled for four years or more is removed from the program for any reason, there is a waiting period before the covenant terminates. The covenant terminates on January 1 of the fifth calendar year that begins after the date that:

(1) the commissioner receives notification from the claimant that the claimant wishes to remove the land from the program under section 290C.10; or

(2) the date that the land is removed from the program under section 290C.11.

Notwithstanding the other provisions of this section, the covenant is terminated at the same time that the land is removed from the program due to acquisition of title or possession for a public purpose under section 290C.10.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 40. Minnesota Statutes 2004, section 290C.10, is amended to read:

290C.10 [WITHDRAWAL PROCEDURES.]

An approved claimant under the sustainable forest incentive program for a minimum of four years may notify the commissioner of the intent to terminate enrollment. Within 90 days of receipt of notice to terminate enrollment, the commissioner shall inform the claimant in writing, acknowledging receipt of this notice and indicating the effective date of termination from the sustainable forest incentive program. Termination of enrollment in the sustainable forest incentive program occurs on January 1 of the fifth calendar year that begins after receipt by the commissioner

of the termination notice. After the commissioner issues an effective date of termination, a claimant wishing to continue the land's enrollment in the sustainable forest incentive program beyond the termination date must apply for enrollment as prescribed in section 290C.04. A claimant who withdraws a parcel of land from this program may not reenroll the parcel for a period of three years. Within 90 days after the termination date, the commissioner shall execute and acknowledge a document releasing the land from the covenant required under this chapter. The document must be mailed to the claimant and is entitled to be recorded. The commissioner may allow early withdrawal from the Sustainable Forest Incentive Act without penalty ~~in cases of condemnation when the state of Minnesota, any local government unit, or any other entity which has the right of eminent domain acquires title or possession to the land~~ for a public purpose notwithstanding the provisions of this section. In the case of such acquisition, the commissioner shall execute and acknowledge a document releasing the land acquired by the state, local government unit, or other entity from the covenant. All other enrolled land must remain in the program.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 41. Minnesota Statutes 2004, section 373.45, subdivision 7, is amended to read:

Subd. 7. [AID REDUCTION FOR REPAYMENT.] (a) Except as provided in paragraph (b), the commissioner may reduce, by the amount paid by the state under this section on behalf of the county, plus the interest due on the state payments, the ~~following aids payable to the county:~~

- ~~(1) homestead and agricultural credit aid and disparity reduction aid payable under section 273.1398;~~
- ~~(2) county criminal justice aid payable under section 477A.0121; and~~
- ~~(3) family preservation aid payable under section 477A.0122~~ county program aid under section 477A.0124.

The amount of any aid reduction reverts from the appropriate account to the state general fund.

(b) If, after review of the financial situation of the county, the authority advises the commissioner that a total reduction of the aids would cause an undue hardship on the county, the authority, with the approval of the commissioner, may establish a different schedule for reduction of aids to repay the state. The amount of aids to be reduced are decreased by any amounts repaid to the state by the county from other revenue sources.

[EFFECTIVE DATE.] This section is effective for aid payable in 2005 and thereafter.

Sec. 42. Minnesota Statutes 2004, section 469.1735, subdivision 3, is amended to read:

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 for which it seeks reimbursements for taxes payable during the ~~following current~~ 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 of the taxes payable year. Any amount transferred 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.

[EFFECTIVE DATE.] This section is effective for reimbursements of taxes payable in 2005 and thereafter.

Sec. 43. Laws 2003, chapter 127, article 5, section 27, the effective date, is amended to read:

[EFFECTIVE DATE.] This section is effective for ~~taxes payable in 2004 and thereafter~~ distributions occurring on or after June 10, 2003.

Sec. 44. Laws 2003, chapter 127, article 5, section 28, the effective date, is amended to read:

[EFFECTIVE DATE.] This section is effective for ~~taxes payable in 2004 and thereafter~~ distributions occurring on or after June 10, 2003.

Sec. 45. [LINCOLN AND PIPESTONE COUNTIES; TOWN LEVY ADJUSTMENT FOR WIND ENERGY PRODUCTION TAX.]

Notwithstanding the deadlines in Minnesota Statutes, section 275.07, towns located in Lincoln or Pipestone County are authorized to adjust their payable 2004 levy for all or a portion of their estimated wind energy production tax amounts for 2004, as computed by the commissioner of revenue from reports filed under Minnesota Statutes, section 272.029, subdivision 4. The Lincoln and Pipestone County auditors may adjust the payable 2004 levy certifications under Minnesota Statutes, section 275.07, subdivision 1, based upon the towns that have recertified their levies under this section by March 15, 2004.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2004.

Sec. 46. [REPEALER.]

(a) Minnesota Statutes 2004, sections 273.19, subdivision 5; 274.05; 275.15; 275.61, subdivision 2; and 283.07, are repealed effective the day following final enactment.

(b) Minnesota Statutes 2004, section 469.1794, subdivision 6, is repealed effective the day following final enactment and applies to districts for which the request for certification was made on, before, or after August 1, 1979, and before August 1, 2001.

(c) Laws 1975, chapter 287, section 5, and Laws 2003, chapter 127, article 9, section 9, subdivision 4, are repealed effective without local approval for taxes payable in 2006 and thereafter.

(d) Minnesota Statutes 2004, sections 270.85; 270.88; and 273.37, subdivision 3, are repealed effective September 1, 2005.

ARTICLE 5

INCOME, CORPORATE FRANCHISE, AND ESTATE TAXES

Section 1. Minnesota Statutes 2004, section 190.09, subdivision 2, is amended to read:

Subd. 2. [MISSION; EFFICIENCY.] It is part of the department's mission that within the department's resources the adjutant general shall endeavor to:

- (1) prevent the waste or unnecessary spending of public money;
- (2) use innovative fiscal and human resource practices to manage the state's resources and operate the department as efficiently as possible;

(3) coordinate the department's activities wherever appropriate with the activities of other governmental agencies;

(4) use technology where appropriate to increase agency productivity, improve customer service, increase public access to information about government, and increase public participation in the business of government;

(5) utilize constructive and cooperative labor-management practices to the extent otherwise required by chapters 43A and 179A;

(6) report to the legislature on the performance of agency operations and the accomplishment of agency goals in the agency's biennial budget according to section 16A.10, subdivision 1; ~~and~~

(7) recommend to the legislature appropriate changes in law necessary to carry out the mission and improve the performance of the department; and

(8) administer checkoff funds as provided in section 290.433.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004.

Sec. 2. Minnesota Statutes 2004, section 289A.08, subdivision 1, is amended to read:

Subdivision 1. [GENERALLY; INDIVIDUALS.] (a) A taxpayer must file a return for each taxable year the taxpayer is required to file a return under section 6012 of the Internal Revenue Code, except that:

(1) an individual who is not a Minnesota resident for any part of the year is not required to file a Minnesota income tax return if the individual's gross income derived from Minnesota sources as determined under sections 290.081, paragraph (a), and 290.17, is less than the filing requirements for a single individual who is a full year resident of Minnesota; and

(2) an individual who is a Minnesota resident is not required to file a Minnesota income tax return if the individual's gross income derived from Minnesota sources as determined under section 290.17, less the amount of the individual's gross income that consists of compensation paid to members of the armed forces of the United States or United Nations for active duty performed outside Minnesota, is less than the filing requirements for a single individual who is a full-year resident of Minnesota.

(b) The decedent's final income tax return, and other income tax returns for prior years where the decedent had gross income in excess of the minimum amount at which an individual is required to file and did not file, must be filed by the decedent's personal representative, if any. If there is no personal representative, the return or returns must be filed by the transferees, as defined in section 289A.38, subdivision 13, who receive property of the decedent.

(c) The term "gross income," as it is used in this section, has the same meaning given it in section 290.01, subdivision 20.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004.

Sec. 3. Minnesota Statutes 2004, section 289A.08, subdivision 3, is amended to read:

Subd. 3. [CORPORATIONS.] A corporation that is subject to the state's jurisdiction to tax under section 290.014, subdivision 5, must file a return, except that a foreign operating corporation as defined in section 290.01, subdivision 6b, is not required to file a return. The commissioner shall adopt rules for the filing of one return on

behalf of the members of an affiliated group of corporations that are required to file a combined report. All members of an affiliated group that are required to file a combined report must file one return on behalf of the members of the group under rules adopted by the commissioner. If a corporation claims on a return that it has paid tax in excess of the amount of taxes lawfully due, that corporation must include on that return information necessary for payment of the tax in excess of the amount lawfully due by electronic means.

[EFFECTIVE DATE.] This section is effective for returns filed after December 31, 2005.

Sec. 4. Minnesota Statutes 2004, section 289A.08, subdivision 7, is amended to read:

Subd. 7. [COMPOSITE INCOME TAX RETURNS FOR NONRESIDENT PARTNERS, SHAREHOLDERS, AND BENEFICIARIES.] (a) The commissioner may allow a partnership with nonresident partners to file a composite return and to pay the tax on behalf of nonresident partners who have no other Minnesota source income. This composite return must include the names, addresses, Social Security numbers, income allocation, and tax liability for the nonresident partners electing to be covered by the composite return.

(b) The computation of a partner's tax liability must be determined by multiplying the income allocated to that partner by the highest rate used to determine the tax liability for individuals under section 290.06, subdivision 2c. Nonbusiness deductions, standard deductions, or personal exemptions are not allowed.

(c) The partnership must submit a request to use this composite return filing method for nonresident partners. The requesting partnership must file a composite return in the form prescribed by the commissioner of revenue. The filing of a composite return is considered a request to use the composite return filing method.

(d) The electing partner must not have any Minnesota source income other than the income from the partnership and other electing partnerships. If it is determined that the electing partner has other Minnesota source income, the inclusion of the income and tax liability for that partner under this provision will not constitute a return to satisfy the requirements of subdivision 1. The tax paid for the individual as part of the composite return is allowed as a payment of the tax by the individual on the date on which the composite return payment was made. If the electing nonresident partner has no other Minnesota source income, filing of the composite return is a return for purposes of subdivision 1.

(e) This subdivision does not negate the requirement that an individual pay estimated tax if the individual's liability would exceed the requirements set forth in section 289A.25. A composite estimate may, however, be filed in a manner similar to and containing the information required under paragraph (a).

(f) If an electing partner's share of the partnership's gross income from Minnesota sources is less than the filing requirements for a nonresident under this subdivision, the tax liability is zero. However, a statement showing the partner's share of gross income must be included as part of the composite return.

(g) The election provided in this subdivision is ~~not only~~ available to ~~any~~ a partner ~~other than who has no other Minnesota source income and who is either (1) a full-year nonresident individual who has no other Minnesota source income or (2) a trust or estate that does not claim a deduction under either section 651 or 661 of the Internal Revenue Code.~~

(h) A corporation defined in section 290.9725 and its nonresident shareholders may make an election under this paragraph. The provisions covering the partnership apply to the corporation and the provisions applying to the partner apply to the shareholder.

(i) Estates and trusts distributing current income only and the nonresident individual beneficiaries of the estates or trusts may make an election under this paragraph. The provisions covering the partnership apply to the estate or trust. The provisions applying to the partner apply to the beneficiary.

(j) For the purposes of this subdivision, "income" means the partner's share of federal adjusted gross income from the partnership modified by the additions provided in section 290.01, subdivision 19a, clauses (6) and (7), and the subtractions provided in section 290.01, subdivision 19b, clause (11), to the extent the amount is assignable or allocable to Minnesota under section 290.17. The subtraction allowed under section 290.01, subdivision 19b, clause (11), is only allowed on the composite tax computation to the extent the electing partner would have been allowed the subtraction.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2004.

Sec. 5. Minnesota Statutes 2004, section 289A.08, subdivision 13, is amended to read:

Subd. 13. [LONG AND SHORT FORMS.] The commissioner shall provide a long form individual income tax return and may provide a short form individual income tax return. The returns shall be in a form that is consistent with the provisions of chapter 290, notwithstanding any other law to the contrary. The nongame wildlife checkoff provided in section 290.431 and the dependent care credit provided in section 290.067 must be included on the short form. The commissioner must provide information on local use taxes in the individual income tax instruction booklet, including a list of the jurisdictions with local use taxes. The commissioner must provide this information in the same section of the booklet that provides information on the state use tax.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004.

Sec. 6. Minnesota Statutes 2004, section 289A.18, subdivision 1, is amended to read:

Subdivision 1. [INDIVIDUAL INCOME, FIDUCIARY INCOME, CORPORATE FRANCHISE, AND ENTERTAINMENT TAXES; PARTNERSHIP AND S CORPORATION RETURNS; INFORMATION RETURNS; MINING COMPANY RETURNS.] The returns required to be made under sections 289A.08 and 289A.12 must be filed at the following times:

(1) returns made on the basis of the calendar year must be filed on April 15 following the close of the calendar year, except that returns of corporations must be filed on March 15 following the close of the calendar year;

(2) returns made on the basis of the fiscal year must be filed on the 15th day of the fourth month following the close of the fiscal year, except that returns of corporations must be filed on the 15th day of the third month following the close of the fiscal year;

(3) returns for a fractional part of a year must be filed on the 15th day of the fourth month following the end of the month in which falls the last day of the period for which the return is made, except that the returns of corporations must be filed on the 15th day of the third month following the end of the ~~month~~ tax year of the unitary group in which falls the last day of the period for which the return is made;

(4) in the case of a final return of a decedent for a fractional part of a year, the return must be filed on the 15th day of the fourth month following the close of the 12-month period that began with the first day of that fractional part of a year;

(5) in the case of the return of a cooperative association, returns must be filed on or before the 15th day of the ninth month following the close of the taxable year;

(6) if a corporation has been divested from a unitary group and files a return for a fractional part of a year in which it was a member of a unitary business that files a combined report under section 290.34, subdivision 2, the divested corporation's return must be filed on the 15th day of the third month following the close of the common accounting period that includes the fractional year;

(7) returns of entertainment entities must be filed on April 15 following the close of the calendar year;

(8) returns required to be filed under section 289A.08, subdivision 4, must be filed on the 15th day of the fifth month following the close of the taxable year;

(9) returns of mining companies must be filed on May 1 following the close of the calendar year; and

(10) returns required to be filed with the commissioner under section 289A.12, subdivision 2, 4 to 10, or 14, must be filed within 30 days after being demanded by the commissioner.

[EFFECTIVE DATE.] This section is effective for fractional years closing after December 31, 2004.

Sec. 7. Minnesota Statutes 2004, section 289A.19, subdivision 4, is amended to read:

Subd. 4. [ESTATE TAX RETURNS.] ~~When in the commissioner's judgment good cause exists, the commissioner may extend the time for filing an estate tax return for not more than six months.~~ When an extension to file the federal estate tax return has been granted under section 6081 of the Internal Revenue Code, the time for filing the estate tax return is extended for that period. If the estate requests an extension to file an estate tax return within the time provided in section 289A.18, subdivision 3, the commissioner shall extend the time for filing the estate tax return for six months.

[EFFECTIVE DATE.] This section is effective for estates of decedents dying after December 31, 2004.

Sec. 8. Minnesota Statutes 2004, section 289A.20, subdivision 2, is amended to read:

Subd. 2. [WITHHOLDING FROM WAGES, ENTERTAINER WITHHOLDING, WITHHOLDING FROM PAYMENTS TO OUT-OF-STATE CONTRACTORS, AND WITHHOLDING BY PARTNERSHIPS AND SMALL BUSINESS CORPORATIONS.] (a) A tax required to be deducted and withheld during the quarterly period must be paid on or before the last day of the month following the close of the quarterly period, unless an earlier time for payment is provided. A tax required to be deducted and withheld from compensation of an entertainer and from a payment to an out-of-state contractor must be paid on or before the date the return for such tax must be filed under section 289A.18, subdivision 2. Taxes required to be deducted and withheld by partnerships ~~and~~ S corporations, ~~and trusts~~ must be paid on ~~or before the date the return must be filed under section 289A.18, subdivision 2 a~~ quarterly basis as estimated taxes under section 289A.25 for partnerships and trusts and under section 289A.26 for S corporations.

(b) An employer who, during the previous quarter, withheld more than \$1,500 of tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, must deposit tax withheld under those sections with the commissioner within the time allowed to deposit the employer's federal withheld employment taxes under Code of Federal Regulations, title 26, section 31.6302-1, as amended through December 31, 2001, without regard to the safe harbor or de minimis rules in subparagraph (f) or the one-day rule in subsection (c), clause (3). Taxpayers must submit a copy of their federal notice of deposit status to the commissioner upon request by the commissioner.

(c) The commissioner may prescribe by rule other return periods or deposit requirements. In prescribing the reporting period, the commissioner may classify payors according to the amount of their tax liability and may adopt an appropriate reporting period for the class that the commissioner judges to be consistent with efficient tax collection. In no event will the duration of the reporting period be more than one year.

(d) If less than the correct amount of tax is paid to the commissioner, proper adjustments with respect to both the tax and the amount to be deducted must be made, without interest, in the manner and at the times the commissioner prescribes. If the underpayment cannot be adjusted, the amount of the underpayment will be assessed and collected in the manner and at the times the commissioner prescribes.

(e) If the aggregate amount of the tax withheld during a fiscal year ending June 30 under section 290.92, subdivision 2a or 3, is equal to or exceeds the amounts established for remitting federal withheld taxes pursuant to the regulations promulgated under section 6302(h) of the Internal Revenue Code, the employer must remit each required deposit for wages paid in the subsequent calendar year by electronic means.

(f) A third-party bulk filer as defined in section 290.92, subdivision 30, paragraph (a), clause (2), who remits withholding deposits must remit all deposits by electronic means as provided in paragraph (e), regardless of the aggregate amount of tax withheld during a fiscal year for all of the employers.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2005.

Sec. 9. Minnesota Statutes 2004, section 289A.31, subdivision 2, is amended to read:

Subd. 2. [JOINT INCOME TAX RETURNS.] (a) If a joint income tax return is made by a husband and wife, the liability for the tax is joint and several. A spouse who qualifies for relief from a liability attributable to an underpayment under section 6015(b) of the Internal Revenue Code is relieved of the state income tax liability on the underpayment.

(b) In the case of individuals who were a husband and wife prior to the dissolution of their marriage or their legal separation, or prior to the death of one of the individuals, for tax liabilities reported on a joint or combined return, the liability of each person is limited to the proportion of the tax due on the return that equals that person's proportion of the total tax due if the husband and wife filed separate returns for the taxable year. This provision is effective only when the commissioner receives written notice of the marriage dissolution, legal separation, or death of a spouse from the husband or wife. No refund may be claimed by an ex-spouse, legally separated or widowed spouse for any taxes paid more than 60 days before receipt by the commissioner of the written notice.

(c) A request for calculation of separate liability pursuant to paragraph (b) for taxes reported on a return must be made within six years after the due date of the return. For calculation of separate liability for taxes assessed by the commissioner under section 289A.35 or 289A.37, the request must be made within six years after the date of assessment. The commissioner is not required to calculate separate liability if the remaining unpaid liability for which recalculation is requested is \$100 or less.

[EFFECTIVE DATE.] This section is effective for requests for relief made on or after the day following final enactment.

Sec. 10. Minnesota Statutes 2004, section 289A.38, subdivision 7, is amended to read:

Subd. 7. [FEDERAL TAX CHANGES.] If the amount of income, items of tax preference, deductions, or credits for any year of a taxpayer as reported to the Internal Revenue Service is changed or corrected by the commissioner of Internal Revenue or other officer of the United States or other competent authority, or where a renegotiation of a contract or subcontract with the United States results in a change in income, items of tax preference, deductions,

credits, or withholding tax, or, in the case of estate tax, where there are adjustments to the taxable estate resulting in a change to the credit for state death taxes, the taxpayer shall report the change or correction or renegotiation results in writing to the commissioner. The report must be submitted within 180 days after the final determination and must be in the form of either an amended Minnesota estate, withholding tax, corporate franchise tax, or income tax return conceding the accuracy of the federal determination or a letter detailing how the federal determination is incorrect or does not change the Minnesota tax. An amended Minnesota income tax return must be accompanied by an amended property tax refund return, if necessary. A taxpayer filing an amended federal tax return must also file a copy of the amended return with the commissioner of revenue within 180 days after filing the amended return.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 11. Minnesota Statutes 2004, section 289A.50, subdivision 1a, is amended to read:

Subd. 1a. [REFUND FORM.] On or before January 1, 2000, the commissioner of revenue shall prepare and make available to taxpayers a form for filing claims for refund of taxes paid in excess of the amount due. ~~If the commissioner fails to prepare a form under this subdivision by January 1, 2000, any claims for refund made after January 1, 2000, and up to ten days after the form is made available to taxpayers are deemed to be made in compliance with the requirement of the form.~~ The commissioner may require corporate franchise taxpayers claiming a refund of corporate franchise taxes paid in excess of the amount lawfully due to include on the claim for refund or amended return information necessary for payment of the taxes paid in excess of taxes lawfully due by electronic means.

[EFFECTIVE DATE.] This section is effective for claims for refund filed after December 31, 2005.

Sec. 12. Minnesota Statutes 2004, section 289A.60, subdivision 13, is amended to read:

Subd. 13. [PENALTIES FOR TAX RETURN PREPARERS.] (a) If an understatement of liability with respect to a return or claim for refund is due to a reckless disregard of laws and rules or willful attempt in any manner to understate the liability for a tax by a person who is a tax return preparer with respect to the return or claim, the person shall pay to the commissioner a penalty of \$500. If a part of a property tax refund claim is excessive due to a reckless disregard or willful attempt in any manner to overstate the claim for relief allowed under chapter 290A by a person who is a tax refund or return preparer, the person shall pay to the commissioner a penalty of \$500 with respect to the claim. These penalties may not be assessed against the employer of a tax return preparer unless the employer was actively involved in the reckless disregard or willful attempt to understate the liability for a tax or to overstate the claim for refund. These penalties are income tax liabilities and may be assessed at any time as provided in section 289A.38, subdivision 5.

(b) A civil action in the name of the state of Minnesota may be commenced to enjoin any person who is a tax return preparer doing business in this state from further engaging in any conduct described in paragraph (c). An action under this paragraph must be brought by the attorney general in the district court for the judicial district of the tax return preparer's residence or principal place of business, or in which the taxpayer with respect to whose tax return the action is brought resides. The court may exercise its jurisdiction over the action separate and apart from any other action brought by the state of Minnesota against the tax return preparer or any taxpayer.

(c) In an action under paragraph (b), if the court finds that a tax return preparer has:

(1) engaged in any conduct subject to a civil penalty under section 289A.60 or a criminal penalty under section 289A.63;

(2) misrepresented the preparer's eligibility to practice before the Department of Revenue, or otherwise misrepresented the preparer's experience or education as a tax return preparer;

(3) guaranteed the payment of any tax refund or the allowance of any tax credit; or

(4) engaged in any other fraudulent or deceptive conduct that substantially interferes with the proper administration of state tax law, and injunctive relief is appropriate to prevent the recurrence of that conduct,

the court may enjoin the person from further engaging in that conduct.

(d) If the court finds that a tax return preparer has continually or repeatedly engaged in conduct described in paragraph (c), and that an injunction prohibiting that conduct would not be sufficient to prevent the person's interference with the proper administration of state tax laws, the court may enjoin the person from acting as a tax return preparer. The court may not enjoin the employer of a tax return preparer for conduct described in paragraph (c) engaged in by one or more of the employer's employees unless the employer was also actively involved in that conduct.

(e) For purposes of this subdivision, the term "understatement of liability" means an understatement of the net amount payable with respect to a tax imposed by state tax law, or an overstatement of the net amount creditable or refundable with respect to a tax. The determination of whether or not there is an understatement of liability must be made without regard to any administrative or judicial action involving the taxpayer. For purposes of this subdivision, the amount determined for underpayment of estimated tax under either section 289A.25 or 289A.26 is not considered an understatement of liability.

(f) For purposes of this subdivision, the term "overstatement of claim" means an overstatement of the net amount refundable with respect to a claim for property tax relief provided by chapter 290A. The determination of whether or not there is an overstatement of a claim must be made without regard to administrative or judicial action involving the claimant.

(g) For purposes of this section, the term "tax refund or return preparer" means an individual who prepares for compensation, or who employs one or more individuals to prepare for compensation, a return of tax, or a claim for refund of tax. The preparation of a substantial part of a return or claim for refund is treated as if it were the preparation of the entire return or claim for refund. An individual is not considered a tax return preparer merely because the individual:

(1) gives typing, reproducing, or other mechanical assistance;

(2) prepares a return or claim for refund of the employer, or an officer or employee of the employer, by whom the individual is regularly and continuously employed;

(3) prepares a return or claim for refund of any person as a fiduciary for that person; or

(4) prepares a claim for refund for a taxpayer in response to a tax order issued to the taxpayer.

[EFFECTIVE DATE.] This section is effective for returns filed after December 31, 2005.

Sec. 13. Minnesota Statutes 2004, section 289A.60, is amended by adding a subdivision to read:

Subd. 26. [RESTRICTIONS ON TAXPAYERS WHO IMPROPERLY CLAIM REFUNDABLE CREDITS.]

(a) If a person claims a credit or refund under section 290.067, 290.0671, 290.0674, or chapter 290A and the claimed credit or refund is determined to be claimed fraudulently or with reckless or intentional disregard of the applicable provisions for the credit or refund, the person is barred from claiming that credit or refund for the disallowance period.

(b) For the purposes of paragraph (a), the "disallowance period" is (1) ten taxable years from the taxable year the credit or refund is claimed if the credit or refund was fraudulently claimed; and (2) two taxable years from the taxable year the credit or refund is claimed if the credit or refund was not fraudulent but was claimed with reckless or intentional disregard of the applicable provisions.

[EFFECTIVE DATE.] This section is effective for credits or refunds claimed after December 31, 2005.

Sec. 14. Minnesota Statutes 2004, section 290.01, subdivision 7, is amended to read:

Subd. 7. [RESIDENT.] (a) The term "resident" means any individual domiciled in Minnesota, except that an individual is not a "resident" for the period of time that the individual is ~~either:~~

~~(1) on active duty stationed outside of Minnesota while in the armed forces of the United States or the United Nations; or~~

~~(2) a "qualified individual" as defined in section 911(d)(1) of the Internal Revenue Code, if the qualified individual notifies the county within three months of moving out of the country that homestead status be revoked for the Minnesota residence of the qualified individual, and the property is not classified as a homestead while the individual remains a qualified individual.~~

(b) "Resident" also means any individual domiciled outside the state who maintains a place of abode in the state and spends in the aggregate more than one-half of the tax year in Minnesota, unless:

(1) the individual or the spouse of the individual is in the armed forces of the United States; or

(2) the individual is covered under the reciprocity provisions in section 290.081.

For purposes of this subdivision, presence within the state for any part of a calendar day constitutes a day spent in the state. Individuals shall keep adequate records to substantiate the days spent outside the state.

The term "abode" means a dwelling maintained by an individual, whether or not owned by the individual and whether or not occupied by the individual, and includes a dwelling place owned or leased by the individual's spouse.

(c) ~~Neither the commissioner nor any court shall consider charitable contributions made by an individual within or without the state~~ the following factors in determining if the individual is domiciled in Minnesota:

(1) charitable contributions made by an individual within or without the state;

(2) the jurisdiction from which an individual's professional licenses were issued;

(3) the location of an individual's union memberships;

(4) the location of accounts or transactions with financial institutions;

(5) the location of the place of worship at which the individual is a member;

(6) the location of business relationships and the place where business is transacted;

(7) the location of social, fraternal, or athletic organizations or clubs, lodges, or country clubs, in which the individual is a member; and

(8) statements made to an insurance company, concerning the individual's residence and on which insurance is based.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2004.

Sec. 15. Minnesota Statutes 2004, section 290.01, subdivision 7b, is amended to read:

Subd. 7b. [RESIDENT TRUST.] (a) Resident trust means a trust, except a grantor type trust, which either (1) was created by a will of a decedent who at death was domiciled in this state or (2) is an irrevocable trust, the grantor of which was domiciled in this state at the time the trust became irrevocable. For the purpose of this subdivision, a trust is considered irrevocable to the extent the grantor is not treated as the owner thereof under sections 671 to 678 of the Internal Revenue Code. The term "grantor type trust" means a trust where the income or gains of the trust are taxable to the grantor or others treated as substantial owners under sections 671 to 678 of the Internal Revenue Code.

(b)(1) A trust, other than a grantor type trust, that became irrevocable before January 1, 1996, or that was administered in Minnesota before January 1, 1996, is a resident trust only if two or more of the following conditions are satisfied:

(i) a majority of the discretionary decisions of the trustees relative to the investment of trust assets are made in Minnesota;

(ii) a majority of the discretionary decisions of the trustees relative to the distributions of trust income and principal are made in Minnesota;

(iii) the official books and records of the trust, consisting of the original minutes of trustee meetings and the original trust instruments, are located in Minnesota.

(2) For purposes of this paragraph, if the trustees delegate decisions and actions to an agent or custodian, the actions and decisions of the agent or custodian must not be taken into account in determining whether the trust is administered in Minnesota, if:

(i) the delegation was permitted under the trust agreement;

(ii) the trustees retain the power to revoke the delegation on reasonable notice; and

(iii) the trustees monitor and evaluate the performance of the agent or custodian on a regular basis as is reasonably determined by the trustees.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 16. Minnesota Statutes 2004, 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(g) 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~~ the amount of taxes based on net income 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 99-514, applies;

(4) the amount of income taxes paid or accrued within the taxable year under this chapter and ~~income~~ taxes based on net income 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 expense, interest, or taxes disallowed pursuant to section 290.10 other than expenses or interest used in computing net interest income for the subtraction allowed under subdivision 19b, clause (1);

(6) 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; and

(7) 80 percent of the depreciation deduction allowed under section 168(k) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k) is allowed.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2004.

Sec. 17. Minnesota Statutes 2004, 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) net 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 amount used to claim the credit allowed under section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and transportation of each qualifying child 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 363A. 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 purchased or leased for use 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. For purposes of the subtraction provided by this clause, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code;

(4) income as provided under section 290.0802;

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

~~(6) to the extent included in federal taxable income, postservice benefits for youth community service under section 124D.42 for volunteer service under United States Code, title 42, sections 12601 to 12604;~~

~~(7)~~ to the extent not deducted in determining federal taxable income by an individual who does not itemize deductions for federal income tax purposes for the taxable year, an amount equal to 50 percent of the excess of charitable contributions allowable as a deduction for the taxable year under section 170(a) of the Internal Revenue Code over \$500;

~~(8)~~ (7) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code;

~~(9)~~ (8) for individuals who are allowed a federal foreign tax credit for taxes that do not qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover of subnational foreign taxes for the taxable year, but not to exceed the total subnational foreign taxes reported in claiming the foreign tax credit. For purposes of this clause, "federal foreign tax credit" means the credit allowed under section 27 of the Internal Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed under section 904(c) of the Internal Revenue Code minus national level foreign taxes to the extent they exceed the federal foreign tax credit;

~~(40)~~ (9) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (7), or 19c, clause (15), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or subdivision 19c, clause (15), in the case of a shareholder of an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. The resulting delayed depreciation cannot be less than zero; ~~and~~

~~(44)~~ (10) job opportunity building zone income as provided under section 469.316;

(11) the amount of compensation paid to members of the Minnesota National Guard or other reserve components of the United States military for active service performed in Minnesota, excluding compensation for services performed under the Active Guard Reserve (AGR) program. For purposes of this clause, "active service" means (i) state active service as defined in section 190.05, subdivision 5a, clause (1); (ii) federally funded state active service as defined in section 190.05, subdivision 5b; or (iii) federal active service as defined in section 190.05, subdivision 5c, but "active service" excludes services performed exclusively for purposes of basic combat training, advanced individual training, annual training, and periodic inactive duty training; special training periodically made available to reserve members; and service performed in accordance with section 190.08, subdivision 3;

(12) the amount of compensation paid to members of the armed forces of the United States or United Nations for active duty performed outside Minnesota; and

(13) to the extent not deducted in computing federal taxable income, an amount, not to exceed \$10,000, equal to qualified expenses related to a qualified donor's donation, while living, of one or more of the qualified donor's organs to another person for human organ transplantation. For purposes of determining the extent to which expenses are deducted in computing federal taxable income, travel and lodging expenses related to an organ donation are considered deducted by an individual in determining federal taxable income to the extent they exceed 7.5 percent of federal adjusted gross income as defined in section 62 of the Internal Revenue Code. For purposes of this clause, "organ" means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow; "human organ transplantation" means the medical procedure by which transfer of a human organ is made from the body of one person to the body of another person; "qualified expenses" means unreimbursed expenses for both the individual and the qualified donor for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses may be subtracted under this clause only once; and "qualified donor" means the individual or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An individual may claim the subtraction in this clause only once for each instance of organ donation for transplantation during the taxable year in which the human organ donation and transplantation occurs.

[EFFECTIVE DATE.] The amendment to clause (9) is effective retroactively for tax years beginning after December 31, 2001. The rest of this section is effective for the tax years beginning after December 31, 2004.

Sec. 18. Minnesota Statutes 2004, 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, including but not limited to the tax imposed under section 290.0922, 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;

(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 exempt foreign trade income of a foreign sales corporation under sections 921(a) and 291 of the Internal Revenue Code;

(9) the amount of percentage depletion deducted under sections 611 through 614 and 291 of the Internal Revenue Code;

(10) 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;

(11) the amount of any deemed dividend from a foreign operating corporation determined pursuant to section 290.17, subdivision 4, paragraph (g);

~~(12) the amount of any environmental tax paid under section 59(a) of the Internal Revenue Code;~~

~~(13)~~ 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;

~~(14)~~ (13) the amount of net income excluded under section 114 of the Internal Revenue Code;

~~(15)~~ (14) any increase in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of section 614 of Public Law 107-147; and

~~(16)~~ (15) 80 percent of the depreciation deduction allowed under section 168(k)(1)(A) and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section

168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k)(1)(A) and (k)(4)(A) is allowed.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 19. Minnesota Statutes 2004, section 290.06, subdivision 22, is amended to read:

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

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

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

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

(e) In the case of the tax assessed on a lump sum distribution under section 290.032, the credit allowed under paragraph (a) is the tax assessed by the other state on the lump sum distribution that is also subject to tax under section 290.032, and shall not exceed the tax assessed under section 290.032. To the extent the total lump sum distribution defined in section 290.032, subdivision 1, includes lump sum distributions received in prior years or is all or in part an annuity contract, the reduction to the tax on the lump sum distribution allowed under section 290.032, subdivision 2, includes tax paid to another state that is properly apportioned to that distribution.

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

(g) For the purposes of this subdivision, a resident shareholder of a corporation treated as an "S" corporation under section 290.9725, must be considered to have paid a tax imposed on the shareholder in an amount equal to the shareholder's pro rata share of any net income tax paid by the S corporation to another state. For the purposes of the preceding sentence, the term "net income tax" means any tax imposed on or measured by a corporation's net income.

(h) For the purposes of this subdivision, a resident partner of an entity taxed as a partnership under the Internal Revenue Code must be considered to have paid a tax imposed on the partner in an amount equal to the partner's pro rata share of any net income tax paid by the partnership to another state. For purposes of the preceding sentence, the term "net income" tax means any tax imposed on or measured by a partnership's net income.

(i) For the purposes of this subdivision, "another state":

(1) includes:

(i) the District of Columbia; and

(ii) a province or territory of Canada; but

(2) excludes Puerto Rico and the several territories organized by Congress.

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

(k) For a tax imposed by a province or territory of Canada, the tax for purposes of this subdivision is the excess of the tax over the amount of the foreign tax credit allowed under section 27 of the Internal Revenue Code. In determining the amount of the foreign tax credit allowed, the net income taxes imposed by Canada on the income are deducted first. Any remaining amount of the allowable foreign tax credit reduces the provincial or territorial tax that qualifies for the credit under this subdivision.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2004.

Sec. 20. Minnesota Statutes 2004, section 290.06, is amended by adding a subdivision to read:

Subd. 32. [DAIRY INVESTMENT CREDIT.] (a) A dairy investment credit is allowed against the tax computed under this chapter equal to the credit amount in the table, based on the amount paid or incurred by the taxpayer in the tax year and certified by the commissioner of agriculture under paragraph (f), for qualifying expenditures:

<u>Amount of qualifying expenditures</u>	<u>Credit amount</u>
<u>up to \$500,000</u>	<u>ten percent of qualifying expenditures</u>
<u>over \$500,000, but not more than \$600,000</u>	<u>\$50,000, plus nine percent of the amount of qualified expenditures in excess of \$500,000</u>
<u>over \$600,000, but not more than \$700,000</u>	<u>\$59,000, plus seven percent of the amount of qualified expenditures in excess of \$600,000</u>
<u>over \$700,000, but not more than \$800,000</u>	<u>\$66,000, plus five percent of the amount of qualified expenditures in excess of \$700,000</u>

over \$800,000, but not
more than \$900,000

\$71,000, plus three percent
of the amount of qualified
expenditures in excess of
\$800,000

over \$900,000, but not
more than \$1,000,000

\$74,000, plus one percent
of the amount of qualified
expenditures in excess of
\$900,000

\$1,000,000 or more

\$75,000

(b) "Qualifying expenditures," for purposes of this subdivision, means the expenses incurred for dairy animals for the construction or improvement of buildings or facilities, or the acquisition of equipment, for dairy animal housing, confinement, animal feeding, milk production, and waste management, including, but not limited to, the following:

- (1) freestall barns;
- (2) fences;
- (3) watering facilities;
- (4) feed storage and handling equipment;
- (5) milking parlors;
- (6) robotic equipment;
- (7) scales;
- (8) milk storage and cooling facilities;
- (9) bulk tanks;
- (10) manure handling equipment and storage facilities;
- (11) digesters;
- (12) equipment used to produce energy; and
- (13) on-farm processing.

Qualifying expenditures only include amounts that are capitalized and deducted under either section 167 or 179 of the Internal Revenue Code in computing federal taxable income.

(c) The credit is limited to the liability for tax, as computed under this section for the taxable year for which the credit certificate is issued. If the amount of the credit determined under this section for any taxable year exceeds this limitation, the excess is a dairy investment credit carryover to each of the 15 succeeding taxable years. The entire amount of the excess unused credit for the taxable year is carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit which may be added under this paragraph shall not exceed the taxpayer's liability for tax less the dairy investment credit for the taxable year.

(d) For a partnership or S corporation, the maximum amount of the credit applies to the entity, not the individual partner or shareholder.

(e) To be eligible for the dairy investment credit in this subdivision, a taxpayer must apply to the commissioner of agriculture for a tax credit certificate. The application must be made on forms prescribed by the commissioner of agriculture and must include a statement of the qualifying expenditures by the taxpayer.

(f) The commissioner of agriculture shall certify credits in the order the forms required under paragraph (e) are received and approved by the commissioner of agriculture, until the maximum credit amount for the taxable year has been reached. The maximum credit amount is \$900,000 for tax years beginning after December 31, 2004, and before January 1, 2006; and \$1,000,000 per year for tax years beginning after December 31, 2005.

Any eligible applications for which certificates are not issued in a tax year because the commissioner of agriculture has issued certificates totaling the maximum credit amount for that tax year remain eligible for a credit certificate in subsequent tax years, in the order in which the forms were received by the commissioner of agriculture.

[EFFECTIVE DATE.] This section is effective for assets placed in service in taxable years beginning after December 31, 2004.

Sec. 21. Minnesota Statutes 2004, section 290.067, subdivision 1, is amended to read:

Subdivision 1. [AMOUNT OF CREDIT.] (a) A taxpayer may take as a credit against the tax due from the taxpayer and a spouse, if any, under this chapter an amount equal to the dependent care credit for which the taxpayer is eligible pursuant to the provisions of section 21 of the Internal Revenue Code subject to the limitations provided in subdivision 2 except that in determining whether the child qualified as a dependent, income received as a Minnesota family investment program grant or allowance to or on behalf of the child must not be taken into account in determining whether the child received more than half of the child's support from the taxpayer, and the provisions of section 32(b)(1)(D) of the Internal Revenue Code do not apply.

(b) If a child who has not attained the age of six years at the close of the taxable year is cared for at a licensed family day care home operated by the child's parent, the taxpayer is deemed to have paid employment-related expenses. If the child is 16 months old or younger at the close of the taxable year, the amount of expenses deemed to have been paid equals the maximum limit for one qualified individual under section 21(c) and (d) of the Internal Revenue Code. If the child is older than 16 months of age but has not attained the age of six years at the close of the taxable year, the amount of expenses deemed to have been paid equals the amount the licensee would charge for the care of a child of the same age for the same number of hours of care.

(c) If a married couple:

(1) has a child who has not attained the age of one year at the close of the taxable year;

(2) files a joint tax return for the taxable year; and

(3) does not participate in a dependent care assistance program as defined in section 129 of the Internal Revenue Code, in lieu of the actual employment related expenses paid for that child under paragraph (a) or the deemed amount under paragraph (b), the lesser of (i) the combined earned income of the couple or (ii) the amount of the maximum limit for one qualified individual under section 21(c) and (d) of the Internal Revenue Code will be deemed to be the employment related expense paid for that child. The earned income limitation of section 21(d) of the Internal Revenue Code shall not apply to this deemed amount. These deemed amounts apply regardless of whether any employment-related expenses have been paid.

(d) If the taxpayer is not required and does not file a federal individual income tax return for the tax year, no credit is allowed for any amount paid to any person unless:

(1) the name, address, and taxpayer identification number of the person are included on the return claiming the credit; or

(2) if the person is an organization described in section 501(c)(3) of the Internal Revenue Code and exempt from tax under section 501(a) of the Internal Revenue Code, the name and address of the person are included on the return claiming the credit.

In the case of a failure to provide the information required under the preceding sentence, the preceding sentence does not apply if it is shown that the taxpayer exercised due diligence in attempting to provide the information required.

In the case of a nonresident, part-year resident, or a person who has earned income not subject to tax under this chapter including earned income excluded pursuant to section 290.01, subdivision 19b, clause (11), the credit determined under section 21 of the Internal Revenue Code must be allocated based on the ratio by which the earned income of the claimant and the claimant's spouse from Minnesota sources bears to the total earned income of the claimant and the claimant's spouse.

For residents of Minnesota, the subtractions for military pay under section 290.01, subdivision 19b, clauses (11) and (12), are not considered "earned income not subject to tax under this chapter."

Sec. 22. Minnesota Statutes 2004, 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 earned income. To receive a credit, a taxpayer must be eligible for a credit under section 32 of the Internal Revenue Code.

(b) For individuals with no qualifying children, the credit equals 1.9125 percent of the first \$4,620 of earned income. The credit is reduced by 1.9125 percent of earned income or ~~modified~~ adjusted gross income, whichever is greater, in excess of \$5,770, but in no case is the credit less than zero.

(c) For individuals with one qualifying child, the credit equals 8.5 percent of the first \$6,920 of earned income and 8.5 percent of earned income over \$12,080 but less than \$13,450. The credit is reduced by 5.73 percent of earned income or ~~modified~~ adjusted gross income, whichever is greater, in excess of \$15,080, but in no case is the credit less than zero.

(d) For individuals with two or more qualifying children, the credit equals ten percent of the first \$9,720 of earned income and 20 percent of earned income over \$14,860 but less than \$16,800. The credit is reduced by 10.3 percent of earned income or ~~modified~~ adjusted gross income, whichever is greater, in excess of \$17,890, but in no case is the credit less than zero.

(e) For a nonresident or part-year resident, the credit 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, including income excluded under section 290.01, subdivision 19b, clause (11), the credit must be allocated based on the ratio of federal adjusted gross income reduced by the earned income not subject to tax under this chapter over federal adjusted gross income. For purposes of this paragraph, the subtractions for military pay under section 290.01, subdivision 19b, clauses (11) and (12), are not considered "earned income not subject to tax under this chapter."

(g) For tax years beginning after December 31, 2001, and before December 31, 2004, the \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by \$1,000 for married taxpayers filing joint returns.

(h) For tax years beginning after December 31, 2004, and before December 31, 2007, the \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by \$2,000 for married taxpayers filing joint returns.

(i) For tax years beginning after December 31, 2007, and before December 31, 2010, the \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by \$3,000 for married taxpayers filing joint returns. For tax years beginning after December 31, 2008, the \$3,000 is adjusted annually for inflation under subdivision 7.

(j) The commissioner shall construct tables showing the amount of the credit at various income levels and make them available to taxpayers. The tables shall follow the schedule contained in this subdivision, except that the commissioner may graduate the transition between income brackets.

Sec. 23. Minnesota Statutes 2004, section 290.0671, subdivision 1a, is amended to read:

Subd. 1a. [DEFINITIONS.] For purposes of this section, the terms "qualifying child," and "earned income," ~~and "adjusted gross income"~~ have the meanings given in section 32(c) of the Internal Revenue Code, and the term "adjusted gross income" has the meaning given in section 62 of the Internal Revenue Code.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004.

Sec. 24. Minnesota Statutes 2004, section 290.0672, subdivision 1, is amended to read:

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

(b) "Long-term care insurance" means a policy that:

(1) qualifies for a deduction under section 213 of the Internal Revenue Code, disregarding the 7.5 percent income test; or meets the requirements given in section 62A.46; or provides similar coverage issued under the laws of another jurisdiction; and

(2) has a lifetime long-term care benefit limit of not less than \$100,000; and

(3) has been offered in compliance with the inflation protection requirements of section 62S.23.

(c) "Qualified beneficiary" means the taxpayer or the taxpayer's spouse.

~~(d) "Premiums deducted in determining federal taxable income" means the lesser of (1) long-term care insurance premiums that qualify as deductions under section 213 of the Internal Revenue Code; and (2) the total amount deductible for medical care under section 213 of the Internal Revenue Code.~~

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2004.

Sec. 25. Minnesota Statutes 2004, section 290.0672, subdivision 2, is amended to read:

Subd. 2. [CREDIT.] A taxpayer is allowed a credit against the tax imposed by this chapter for long-term care insurance policy premiums paid during the tax year. The credit for each policy equals 25 percent of premiums paid ~~to the extent not deducted in determining federal taxable income.~~ A taxpayer may claim a credit for only one policy for each qualified beneficiary. A maximum of \$100 applies to each qualified beneficiary. The maximum total

credit allowed per year is \$200 for married couples filing joint returns and \$100 for all other filers. For a nonresident or part-year resident, the credit determined under this section must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2004.

Sec. 26. Minnesota Statutes 2004, section 290.0674, subdivision 1, is amended to read:

Subdivision 1. [CREDIT ALLOWED.] An individual is allowed a credit against the tax imposed by this chapter in an amount equal to 75 percent of the amount paid for education-related expenses for a qualifying child in kindergarten through grade 12. For purposes of this section, "education-related expenses" means:

(1) fees or tuition for instruction by an instructor under section 120A.22, subdivision 10, clause (1), (2), (3), (4), or (5), or a member of the Minnesota Music Teachers Association, and who is not a lineal ancestor or sibling of the dependent for instruction outside the regular school day or school year, including tutoring, driver's education offered as part of school curriculum, regardless of whether it is taken from a public or private entity or summer camps, in grade or age appropriate curricula that supplement curricula and instruction available during the regular school year, that assists a dependent to improve knowledge of core curriculum areas or to expand knowledge and skills under the ~~graduation rule under section 120B.02, paragraph (e), clauses (1) to (7), (9), and (10) required academic standards under section 120B.021, subdivision 1, and the elective standard under section 120B.022, subdivision 1, clause (2),~~ and that do not include the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship;

(2) expenses for textbooks, including books and other instructional materials and equipment purchased or leased for use in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. "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 extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs;

(3) a maximum expense of \$200 per family for personal computer hardware, excluding single purpose processors, and educational software that assists a dependent to improve knowledge of core curriculum areas or to expand knowledge and skills under the ~~graduation rule under section 120B.02 required academic standards under section 120B.021, subdivision 1, and the elective standard under section 120B.022, subdivision 1, clause (2),~~ purchased for use in the taxpayer's home and not used in a trade or business regardless of whether the computer is required by the dependent's school; and

(4) the amount paid to others for transportation of a qualifying child 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 363A.

For purposes of this section, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2004.

Sec. 27. Minnesota Statutes 2004, section 290.0674, subdivision 2, is amended to read:

Subd. 2. [LIMITATIONS.] (a) For taxable years beginning after December 31, 2004, and before January 1, 2006, for claimants with income not greater than \$33,500, the maximum credit allowed for a family is \$1,000 per qualifying child and \$2,000 per family multiplied by the number of qualifying children in kindergarten through grade 12 in the family. ~~No credit is allowed for education-related expenses for claimants with income~~

~~greater than \$37,500.~~ The maximum credit ~~per child~~ for families with one qualifying child in kindergarten through grade 12 is reduced by \$1 for each \$4 of household income over \$33,500, and the maximum credit ~~per family~~ for families with two or more qualifying children in kindergarten through grade 12 is reduced by \$2 for each \$4 of household income over \$33,500, but in no case is the credit less than zero.

(b) For taxable years beginning after December 31, 2005, for claimants with income not greater than the greater of (i) \$33,500 or (ii) 185 percent of the federal poverty guidelines, the maximum credit allowed for a family is \$1,000 multiplied by the number of qualifying children in the family in grades kindergarten through 12. The maximum credit per family is reduced by \$1 multiplied by the number of qualifying children in the family in grades kindergarten through 12 for each \$4 of household income over the greater of (i) \$33,500 or (ii) 185 percent of the federal poverty guidelines, but in no case is the credit less than zero.

(c) For purposes of this section "income" has the meaning given in section 290.067, subdivision 2a. In the case of a married claimant, a credit is not allowed unless a joint income tax return is filed. For purposes of this section "federal poverty guidelines" means the guidelines published in the Federal Register in the tax year for which the credit is claimed, adjusted for family size.

~~(b)~~ (d) For a nonresident or part-year resident, the credit determined under subdivision 1 and the maximum credit amount in paragraph (a) must be allocated using the percentage calculated in section 290.06, subdivision 2c, paragraph (e).

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004.

Sec. 28. Minnesota Statutes 2004, 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 charitable contribution deduction under section 170 of the Internal Revenue Code;

(A) for taxable years beginning before January 1, 2006, to the extent that the deduction exceeds 1.0 percent of adjusted gross income, as defined;

(B) for taxable years beginning after December 31, 2005, and before January 1, 2007, to the extent the deduction exceeds 0.45 percent of adjusted gross income; and

(C) for taxable years beginning after December 31, 2006, to the full extent of the deduction.

For purposes of this clause, "adjusted gross income" has the meaning given in section 62 of the Internal Revenue Code;

(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); and

(6) the amount of addition required by section 290.01, subdivision 19a, clause (7);

less the sum of the amounts determined under the following:

(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;

(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 ~~(4) to (13)~~ and ~~(14)~~ (9) to (13).

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 6.4 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.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004.

Sec. 29. Minnesota Statutes 2004, section 290.091, subdivision 3, is amended to read:

Subd. 3. [EXEMPTION AMOUNT.] (a) For purposes of computing the alternative minimum tax, the exemption amount is:

(1) for taxable years beginning before January 1, 2005, the exemption determined under section 55(d) of the Internal Revenue Code, as amended through December 31, 1992;

(2) for taxable years beginning after December 31, 2004, and before January 1, 2006, \$42,000 for married couples filing joint returns; \$21,000 for married individuals filing separate returns, estates, and trusts; and \$31,500 for unmarried individuals;

(3) for taxable years beginning after December 31, 2005, and before January 1, 2007, \$45,000 for married couples filing joint returns; \$22,500 for married individuals filing separate returns, estates, and trusts; and \$33,750 for unmarried individuals; and

(4) for taxable years beginning after December 31, 2006, and before January 1, 2008, \$50,000 for married couples filing joint returns; \$25,000 for married individuals filing separate returns, estates, and trusts; and \$37,500 for unmarried individuals.

(b) The exemption amount determined under this subdivision is subject to the phase out under section 55(d)(3) of the Internal Revenue Code, except that alternative minimum taxable income as determined under this section must be substituted in the computation of the phase out ~~under section 55(d)(3).~~

(c) For taxable years beginning after December 31, 2007, the exemption amount under paragraph (a), clause (4), must be adjusted for inflation. The commissioner shall make the inflation adjustments in accordance with section 1(f) of the Internal Revenue Code except that for the purposes of this subdivision the percentage increase must be determined from the year starting September 1, 2006, and ending August 31, 2007, as the base year for adjusting for inflation for the tax year beginning after December 31, 2007. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004.

Sec. 30. Minnesota Statutes 2004, section 290.0922, subdivision 2, is amended to read:

Subd. 2. [EXEMPTIONS.] The following entities are exempt from the tax imposed by this section:

(1) corporations exempt from tax under section 290.05;

(2) real estate investment trusts;

(3) regulated investment companies or a fund thereof; and

(4) entities having a valid election in effect under section 860D(b) of the Internal Revenue Code;

(5) town and farmers' mutual insurance companies;

(6) cooperatives organized under chapter 308A or 308B that provide housing exclusively to persons age 55 and over and are classified as homesteads under section 273.124, subdivision 3; and

(7) an entity, if for the taxable year all of its property is located in a job opportunity building zone designated under section 469.314 and all of its payroll is a job opportunity building zone payroll under section 469.310.

Entities not specifically exempted by this subdivision are subject to tax under this section, notwithstanding section 290.05.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2004.

Sec. 31. Minnesota Statutes 2004, section 290.191, subdivision 2, is amended to read:

Subd. 2. [APPORTIONMENT FORMULA OF GENERAL APPLICATION.] (a) Except for those trades or businesses required to use a different formula under subdivision 3 or section 290.36, and for those trades or businesses that receive permission to use some other method under section 290.20 or under subdivision 4, a trade or business required to apportion its net income must apportion its income to this state on the basis of the percentage obtained by taking the sum of:

(1) ~~75~~ the percent for the sales factor under paragraph (b) of the percentage which the sales made within this state in connection with the trade or business during the tax period are of the total sales wherever made in connection with the trade or business during the tax period;

(2) ~~42.5~~ the percent for the property factor under paragraph (b) of the percentage which the total tangible property used by the taxpayer in this state in connection with the trade or business during the tax period is of the total tangible property, wherever located, used by the taxpayer in connection with the trade or business during the tax period; and

(3) ~~42.5~~ the percent for the payroll factor under paragraph (b) of the percentage which the taxpayer's total payrolls paid or incurred in this state or paid in respect to labor performed in this state in connection with the trade or business during the tax period are of the taxpayer's total payrolls paid or incurred in connection with the trade or business during the tax period.

(b) For purposes of paragraph (a) and subdivision 3, the following percentages apply for the taxable years specified:

<u>Taxable years beginning during calendar year</u>	<u>Sales factor percent</u>	<u>Property factor percent</u>	<u>Payroll factor percent</u>
<u>2007</u>	<u>78</u>	<u>11</u>	<u>11</u>
<u>2008</u>	<u>95</u>	<u>2.5</u>	<u>2.5</u>
<u>2009 and later calendar years</u>	<u>100</u>	<u>0</u>	<u>0</u>

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2006.

Sec. 32. Minnesota Statutes 2004, section 290.191, subdivision 3, is amended to read:

Subd. 3. [APPORTIONMENT FORMULA FOR FINANCIAL INSTITUTIONS.] Except for an investment company required to apportion its income under section 290.36, a financial institution that is required to apportion its net income must apportion its net income to this state on the basis of the percentage obtained by taking the sum of:

(1) ~~75~~ the percent for the sales factor under subdivision 2, paragraph (b), of the percentage which the receipts from within this state in connection with the trade or business during the tax period are of the total receipts in connection with the trade or business during the tax period, from wherever derived;

(2) ~~42.5~~ the percent for the property factor under subdivision 2, paragraph (b), of the percentage which the sum of the total tangible property used by the taxpayer in this state and the intangible property owned by the taxpayer and attributed to this state in connection with the trade or business during the tax period is of the sum of the total tangible property, wherever located, used by the taxpayer and the intangible property owned by the taxpayer and attributed to all states in connection with the trade or business during the tax period; and

(3) ~~42.5~~ the percent for the payroll factor under subdivision 2, paragraph (b), of the percentage which the taxpayer's total payrolls paid or incurred in this state or paid in respect to labor performed in this state in connection with the trade or business during the tax period are of the taxpayer's total payrolls paid or incurred in connection with the trade or business during the tax period.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2006.

Sec. 33. [290.433] [NATIONAL GUARD AND RESERVES CHECKOFF.]

Subdivision 1. [CHECKOFF ESTABLISHED.] (a) Every individual who files an income tax return may designate on their original return that \$1 or more shall be added to the tax or deducted from the refund that would otherwise be payable by or to that individual and paid into a Minnesota military families relief account established in the special revenue fund. The commissioner of revenue shall, on the income tax return, notify filers of their right to designate that a portion of their tax or refund shall be paid into the Minnesota military families relief account. Amounts so designated to be paid shall be credited to the account as returns are processed, in as timely a manner as practical. All interest earned on money accrued, gifts to the program, contributions to the program, and reimbursements of expenditures shall be credited to the account. All money in the account is appropriated to the adjutant general of the Department of Military Affairs for the purpose of making grants as specified in subdivision 2.

(b) The checkoff under this section is subject to removal from the income tax return as provided in section 290.439, subdivision 2.

Subd. 2. [GRANTS.] (a) The adjutant general is authorized to expend any money appropriated from the Minnesota military families relief account in the special revenue fund for the purpose of making grants:

(1) directly to eligible individuals; or

(2) to one or more eligible foundations for the purpose of making grants to eligible individuals, as provided in this section.

(b) The term, "eligible individual" includes any Minnesota resident who is:

(1) a member of the Minnesota National Guard or other United States armed forces reserves who has been ordered to federal active service since September 11, 2001, and has a financial need as a result of that service;

(2) the spouse or dependent child of a person described in clause (1); or

(3) the surviving spouse or surviving dependent child of a person described in clause (1).

To be an eligible individual, a person described in clause (2) or (3) must be residing within the state of Minnesota.

(c) The term "eligible foundation" includes any organization that:

(1) is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code;

(2) has articles of incorporation under chapter 317A specifying the purpose of the organization as including the provision of financial assistance to members of the Minnesota National Guard and other United States armed forces reserves and their families and survivors; and

(3) agrees in writing to distribute any grant money received from the adjutant general under this section to eligible individuals as defined in this section and in accordance with any written policies and rules the adjutant general may impose as conditions of the grant to the foundation.

(d) The maximum grant awarded to an eligible individual in a calendar year with funds from the Minnesota military families relief account, either through an eligible institution or directly from the adjutant general, may not exceed \$2,000.

(e) The state pledges and agrees with all contributors to the account to use the contributed funds solely for the purpose of providing assistance to eligible individuals.

(f) The state further agrees that it will not impose additional conditions or restrictions that will limit or otherwise restrict the ability of the adjutant general to award grants under this section.

(g) For purposes of this section, the term "federal active service" has the meaning given in section 190.05, subdivision 5c, but excludes service performed exclusively for purposes of:

(1) basic combat training, advanced individual training, annual training, and periodic inactive duty training;

(2) special training periodically made available to reserve members; and

(3) service performed in accordance with section 190.08, subdivision 3.

Subd. 3. [ANNUAL REPORT.] The adjutant general must report by February 1, 2007, and each year thereafter, to the chairs and ranking minority members of the legislative committees and divisions with jurisdiction over military and veterans' affairs on the number, amounts, and use of grants issued from the Minnesota military families relief account in the previous year and on the expenses related to administering the account.

[EFFECTIVE DATE.] This section is effective for income tax returns for taxable years beginning after December 31, 2004.

Sec. 34. [290.434] [PUBLIC SAFETY OFFICER CHECKOFF.]

(a) Every individual who files an income tax return may designate on their original return that \$1 or more shall be added to the tax or deducted from the refund that would otherwise be payable by or to that individual and paid into a public safety officer memorial and survivor account in the special revenue fund. The commissioner of revenue shall, on the income tax return, notify filers of their right to designate that a portion of their tax or refund shall be paid into the public safety officer memorial and survivor account. The sum of the amounts so designated to be paid shall be credited to the account. The account may be used by the commissioner of public safety to make grants to public safety officer associations that assist in building and preserving state memorial monuments, assist the families of public safety officers killed in the line of duty, award scholarships to surviving family members, and otherwise provide services relating to public safety officers killed in the line of duty. All interest earned on money accrued, gifts to the program, contributions to the program, and reimbursements of expenditures shall be credited to the account. All money in the account is appropriated to the commissioner of public safety for purposes of this section.

(b) The state pledges and agrees with all contributors to the account to use the funds contributed solely for the maintenance of public safety officer memorials and for the benefit of survivors of Minnesota public safety officers killed in the line of duty and further agrees that it will not impose additional conditions or restrictions that will limit or otherwise restrict the ability of the commissioner of public safety, in consultation with the public safety officer memorial and survivor account advisory council, to award grants from the available funds in the most efficient and effective manner.

(c) The commissioner of public safety must report by January 1, 2004, and each year thereafter to the chairs and ranking minority members of the legislative committees and divisions with jurisdiction over criminal justice policy and funding on the number, amounts, and use of grants issued from the account in the previous year.

(d) A public safety officer memorial and survivor account advisory council is established to advise the commissioner of public safety on the distribution of grants under this section. The council must consist of eight members, one from each of the following organizations: the Minnesota law enforcement memorial association, the Minnesota police and peace officers association, the Minnesota chiefs of police association, the Minnesota sheriffs association, the Minnesota state fire department association, the Minnesota state fire chiefs association, the Minnesota ambulance association, and the Minnesota emergency medical services association. The council member is the executive director or president of the organization, or that person's designee. Members must serve without compensation. The commissioner must consider the advisory council's recommendations before awarding grants under this section.

(e) As used in this section, "killed in the line of duty" and "public safety officer" have the meanings given in section 299A.41.

(f) The checkoff under this section is subject to removal from the income tax return as provided in section 290.439, subdivision 2.

[EFFECTIVE DATE.] This section is effective for income tax returns for taxable years beginning after December 31, 2004.

Sec. 35. [290.435] [K-12 EDUCATION, HIGHER EDUCATION, TRANSPORTATION, HEALTH CARE, NURSING HOME, AND CLEAN WATER CHECKOFF.]

Subdivision 1. [CHECKOFFS.] (a) Every individual who files an income tax return may designate on their original return that \$1 or more shall be added to the tax or deducted from the refund that would otherwise be payable by or to that individual.

(b) The taxpayer shall designate that the added or deducted amount shall be paid into one or more of the following accounts and used for the stated purpose:

(1) K-12 education, for technology and/or capital improvement grants to school districts;

(2) higher education, for state assistance to individual students based on student need;

(3) transportation, for local road and bridge funds;

(4) health care, to provide funding for public health care programs;

(5) nursing home assistance, for state reimbursement of nursing home costs; or

(6) environmental clean water, for grants to cities for wastewater treatment facilities.

(c) The taxpayer may not designate an amount less than \$1 to be paid into any of the accounts.

Subd. 2. [APPROPRIATION; SPECIAL ACCOUNTS.] (a) All amounts designated by taxpayers to be paid into the K-12 education account under subdivision 1, clause (1), must be deposited in the state treasury and credited to a special K-12 education account. Money in the account is appropriated annually to the commissioner of education to make onetime grants to school districts for technology or capital improvements.

(b) All amounts designated by taxpayers to be paid into the higher education account under subdivision 1, clause (2), must be deposited in the state treasury and credited to a special higher education account. Money in the account is appropriated annually to the Minnesota Higher Education Services Office to provide financial assistance to students, based on financial needs, attending postsecondary educational institutions located in and operated by this state.

(c) All amounts designated by taxpayers to be paid into the transportation account under subdivision 1, clause (3), must be deposited in the state treasury and credited to a special transportation account. Money in the account is appropriated annually to the commissioner of transportation for improvements to local roads and bridges.

(d) All amounts designated by taxpayers to be paid into the health care account under subdivision 1, clause (4), must be deposited in the state treasury and credited to a special health care account. Money in the account is appropriated annually to the commissioner of human services to provide additional funds for adult participation in MinnesotaCare.

(e) All amounts designated by taxpayers to be paid into the nursing home assistance account under subdivision 1, clause (5), must be deposited in the state treasury and credited to a special nursing home assistance account. Money in the account is appropriated annually to the commissioner of human services to fund a onetime increase in state paid nursing home reimbursement rates.

(f) All amounts designated by taxpayers to be paid into the environmental clean water account under subdivision 1, clause (6), must be deposited in the state treasury and credited to the wastewater infrastructure fund, and annually appropriated to the public facilities authority to make onetime grants to municipalities for wastewater treatment facilities.

(g) All amounts appropriated from the special accounts under this section are onetime appropriations and do not become part of the base level funding for the 2006-2007 biennium.

(h) The checkoffs under this section are subject to removal from the income tax return as provided in section 290.439, subdivision 2.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004.

Sec. 36. [290.439] [ADMINISTRATION OF CHECKOFFS.]

Subdivision 1. [FORMS.] The commissioner must provide a separate form as part of the income tax return that lists the nongame wildlife checkoff in section 290.432; the state election campaign fund checkoff in section 10A.31; the National Guard and Reserves checkoff in section 290.433; the public safety officer checkoff in section 290.434; and the education, higher education, transportation, health care, nursing home, and clean water checkoffs in section 290.435. The commissioner must provide a single line on form M-1 for entering the total amount a taxpayer contributes to all the checkoffs listed on the separate form.

Subd. 2. [REMOVAL OF CHECKOFFS.] The commissioner must annually review usage of the income tax checkoffs in sections 290.433 to 290.435, and determine the number of returns making contributions and the total amount contributed to each checkoff, including each of the separate checkoffs provided in section 290.435. If any of the checkoffs subject to review fails, for two consecutive tax years, to obtain contributions of at least \$100,000 from at least eight percent of all returns that make contributions to any of the checkoffs in sections 10A.31 and 290.433 to 290.435, the commissioner must remove the checkoff from the checkoff form and submit legislation proposing the repeal of the checkoff to the legislature.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004.

Sec. 37. Minnesota Statutes 2004, section 290.92, subdivision 4b, is amended to read:

Subd. 4b. [WITHHOLDING BY PARTNERSHIPS.] (a) A partnership shall deduct and withhold a tax as provided in paragraph (b) for nonresident individual partners based on their distributive shares of partnership income for a taxable year of the partnership.

(b) The amount of tax withheld is determined by multiplying the partner's distributive share allocable to Minnesota under section 290.17, paid or credited during the taxable year by the highest rate used to determine the income tax liability for an individual under section 290.06, subdivision 2c, except that the amount of tax withheld may be determined by the commissioner if the partner submits a withholding exemption certificate under subdivision 5.

(c) The commissioner may reduce or abate the tax withheld under this subdivision if the partnership had reasonable cause to believe that no tax was due under this section.

(d) Notwithstanding paragraph (a), a partnership is not required to deduct and withhold tax for a nonresident partner if:

(1) the partner elects to have the tax due paid as part of the partnership's composite return under section 289A.08, subdivision 7;

(2) the partner has Minnesota assignable federal adjusted gross income from the partnership of less than \$1,000; or

(3) the partnership is liquidated or terminated, the income was generated by a transaction related to the termination or liquidation, and no cash or other property was distributed in the current or prior taxable year; ~~or~~

(4) the distributive shares of partnership income are attributable to:

(i) income required to be recognized because of discharge of indebtedness;

(ii) income recognized because of a sale, exchange, or other disposition of real estate, depreciable property, or property described in section 179 of the Internal Revenue Code; or

(iii) income recognized on the sale, exchange, or other disposition of any property that has been the subject of a basis reduction pursuant to section 108, 734, 743, 754, or 1017 of the Internal Revenue Code

to the extent that the income does not include cash received or receivable or, if there is cash received or receivable, to the extent that the cash is required to be used to pay indebtedness by the partnership or a secured debt on partnership property; or

(5) the partnership is a publicly traded partnership, as defined in section 7704(b) of the Internal Revenue Code.

(e) For purposes of subdivision 6a, and sections 289A.09, subdivision 2, 289A.20, subdivision 2, paragraph (c), 289A.50, 289A.56, 289A.60, and 289A.63, a partnership is considered an employer.

(f) To the extent that income is exempt from withholding under paragraph (d), clause (4), the commissioner has a lien in an amount up to the amount that would be required to be withheld with respect to the income of the partner attributable to the partnership interest, but for the application of paragraph (d), clause (4). The lien arises under section 270.69 from the date of assessment of the tax against the partner, and attaches to that partner's share of the profits and any other money due or to become due to that partner in respect of the partnership. Notice of the lien may be sent by mail to the partnership, without the necessity for recording the lien. The notice has the force and effect of a levy under section 270.70, and is enforceable against the partnership in the manner provided by that section. Upon payment in full of the liability subsequent to the notice of lien, the partnership must be notified that the lien has been satisfied.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004.

Sec. 38. Minnesota Statutes 2004, section 291.005, subdivision 1, is amended to read:

Subdivision 1. [SCOPE.] 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, 2002~~ April 15, 2005.

(9) "Minnesota adjusted taxable estate" means federal adjusted taxable estate as defined by section 2011(b)(3) of the Internal Revenue Code, increased by the amount of deduction for state death taxes allowed under section 2058 of the Internal Revenue Code.

[EFFECTIVE DATE.] This section is effective for estates of decedents dying after December 31, 2004.

Sec. 39. Minnesota Statutes 2004, section 291.03, subdivision 1, is amended to read:

Subdivision 1. **[TAX AMOUNT.]** (a) The tax imposed shall be an amount equal to the proportion of the maximum credit for state death taxes computed under section 2011 of the Internal Revenue Code, as amended through December 31, 2000, ~~for state death taxes but using Minnesota adjusted taxable estate instead of federal adjusted taxable estate,~~ as the Minnesota gross estate bears to the value of the federal gross estate. The tax determined under this paragraph shall not be greater than the ~~federal estate tax amount~~ computed by applying the rates and brackets under section 2001(c) of the Internal Revenue Code after the allowance of to the Minnesota adjusted gross estate and subtracting the federal credits credit allowed under section 2010 of the Internal Revenue Code of 1986, as amended through December 31, 2000.

(b) For the purposes of this section, expenses which are deducted for federal income tax purposes under section 642(g) of the Internal Revenue Code as amended through December 31, 2002, are not allowable in computing the tax under this chapter.

(c) The executor may make a qualified terminable interest property election, as defined in section 2056(b)(7) of the Internal Revenue Code, for purposes of computing the marital deduction under section 2056 of the Internal Revenue Code for the tax under this chapter that differs from the amount elected for federal estate tax purposes. The election may not exceed the federal election by more than the difference between the applicable exclusion amount under section 2010(c) of the Internal Revenue Code and under section 2010(c) of the Internal Revenue Code, as amended through December 31, 2000. The election must be made on the tax return under this chapter and is irrevocable. All tax under this chapter must be determined using the qualified terminable interest election made on the Minnesota return. For purposes of applying sections 2044 and 2207A of the Internal Revenue Code to the computation of the federal and Minnesota gross estates of the surviving spouse, amounts for which a qualified terminable interest property election has been made under this section must be treated as though a valid federal qualified terminable interest property election under section 2056(b)(7) of the Internal Revenue Code had been made.

[EFFECTIVE DATE.] This section is effective for estates of decedents dying after December 31, 2004, except paragraph (c) applies for estates of decedents dying after December 31, 2006.

Sec. 40. Minnesota Statutes 2004, section 298.01, subdivision 3, is amended to read:

Subd. 3. **[OCCUPATION TAX; OTHER ORES.]** Every person engaged in the business of mining or producing ores in this state, except iron ore or taconite concentrates, shall pay an occupation tax to the state of Minnesota as provided in this subdivision. The tax is determined in the same manner as the tax imposed by section 290.02, except that sections 290.05, subdivision 1, clause (a), ~~and~~ 290.17, subdivision 4, ~~and~~ 290.191, subdivision 2, do not apply. A person subject to occupation tax under this section shall apportion its net income on the basis of the percentage obtained by taking the sum of:

(1) 75 percent of the percentage which the sales made within this state in connection with the trade or business during the tax period are of the total sales wherever made in connection with the trade or business during the tax period;

(2) 12.5 percent of the percentage which the total tangible property used by the taxpayer in this state in connection with the trade or business during the tax period is of the total tangible property, wherever located, used by the taxpayer in connection with the trade or business during the tax period; and

(3) 12.5 percent of the percentage which the taxpayer's total payrolls paid or incurred in this state or paid in respect to labor performed in this state in connection with the trade or business during the tax period are of the taxpayer's total payrolls paid or incurred in connection with the trade or business during the tax period.

The tax is in addition to all other taxes.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2006.

Sec. 41. Minnesota Statutes 2004, section 298.01, subdivision 4, is amended to read:

Subd. 4. [OCCUPATION TAX; IRON ORE; TACONITE CONCENTRATES.] A person engaged in the business of mining or producing of iron ore, taconite concentrates or direct reduced ore in this state shall pay an occupation tax to the state of Minnesota. The tax is determined in the same manner as the tax imposed by section 290.02, except that sections 290.05, subdivision 1, clause (a), ~~and~~ 290.17, subdivision 4, ~~and~~ 290.191, subdivision 2, do not apply. A person subject to occupation tax under this section shall apportion its net income on the basis of the percentage obtained by taking the sum of:

(1) 75 percent of the percentage which the sales made within this state in connection with the trade or business during the tax period are of the total sales wherever made in connection with the trade or business during the tax period;

(2) 12.5 percent of the percentage which the total tangible property used by the taxpayer in this state in connection with the trade or business during the tax period is of the total tangible property, wherever located, used by the taxpayer in connection with the trade or business during the tax period; and

(3) 12.5 percent of the percentage which the taxpayer's total payrolls paid or incurred in this state or paid in respect to labor performed in this state in connection with the trade or business during the tax period are of the taxpayer's total payrolls paid or incurred in connection with the trade or business during the tax period.

The tax is in addition to all other taxes.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2006.

Sec. 42. [REPEALER.]

Minnesota Rules, parts 8093.2000; and 8093.3000, are repealed effective the day following final enactment.

ARTICLE 6

FEDERAL UPDATE

Section 1. Minnesota Statutes 2004, 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 ~~June 15, 2003~~ April 15, 2005.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 2004, section 290.01, subdivision 19, as amended by Laws 2005, chapter 1, section 1, 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 the federal effective dates of changes to the Internal Revenue Code and 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(g) 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.

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 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 104-188, the provisions of Public Law 104-117, 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 105-34, the provisions of section 6010 of the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law 105-206, the provisions of section 4003 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Public Law 105-277, and the provisions of section 318 of the Consolidated Appropriation Act of 2001, Public Law 106-554, shall become effective at the time they become effective for federal purposes.~~

The Internal Revenue Code of 1986, as amended through ~~December 31, 1996~~ April 15, 2005, 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 105-34, the provisions of sections 6004, 6005, 6012, 6013, 6015, 6016, 7002, and 7003 of the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law 105-206, the provisions of section 3001 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Public Law 105-277, the provisions of section 3001 of the Miscellaneous Trade and Technical Corrections Act of 1999, Public Law 106-36, and the provisions of section 316 of the Consolidated Appropriation Act of 2001, Public Law 106-554, 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.~~

~~The provisions of sections 5002, 6009, 6011, and 7001 of the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law 105-206, the provisions of section 9010 of the Transportation Equity Act for the 21st Century, Public Law 105-178, the provisions of sections 1004, 4002, and 5301 of the Omnibus Consolidation and Emergency Supplemental Appropriations Act, 1999, Public Law 105-277, the provision of section 303 of the Ricky Ray Hemophilia Relief Fund Act of 1998, Public Law 105-369, the provisions of sections 532, 534, 536, 537, and 538 of the Ticket to Work and Work Incentives Improvement Act of 1999, Public Law 106-170, the provisions of the Installment Tax Correction Act of 2000, Public Law 106-573, and the provisions of section 309 of the Consolidated Appropriation Act of 2001, Public Law 106-554, shall become effective at the time they become effective for federal purposes.~~

~~The Internal Revenue Code of 1986, as amended through December 31, 1998, shall be in effect for taxable years beginning after December 31, 1998.~~

~~The provisions of the FSC Repeal and Extraterritorial Income Exclusion Act of 2000, Public Law 106-519, and the provision of section 412 of the Job Creation and Worker Assistance Act of 2002, Public Law 107-147, shall become effective at the time it became effective for federal purposes.~~

~~The Internal Revenue Code of 1986, as amended through December 31, 1999, shall be in effect for taxable years beginning after December 31, 1999. The provisions of sections 306 and 401 of the Consolidated Appropriation Act of 2001, Public Law 106-554, and the provision of section 632(b)(2)(A) of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16, and provisions of sections 101 and 402 of the Job Creation and Worker Assistance Act of 2002, Public Law 107-147, shall become effective at the same time it became effective for federal purposes.~~

~~The Internal Revenue Code of 1986, as amended through December 31, 2000, shall be in effect for taxable years beginning after December 31, 2000. The provisions of sections 659a and 671 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16, the provisions of sections 104, 105, and 111 of the Victims of Terrorism Tax Relief Act of 2001, Public Law 107-134, and the provisions of sections 201, 403, 413, and 606 of the Job Creation and Worker Assistance Act of 2002, Public Law 107-147, shall become effective at the same time it became effective for federal purposes.~~

~~The Internal Revenue Code of 1986, as amended through March 15, 2002, shall be in effect for taxable years beginning after December 31, 2001.~~

~~The provisions of sections 101 and 102 of the Victims of Terrorism Tax Relief Act of 2001, Public Law 107-134, shall become effective at the same time it becomes effective for federal purposes.~~

~~The Internal Revenue Code of 1986, as amended through June 15, 2003, shall be in effect for taxable years beginning after December 31, 2002. The provisions of section 201 of the Jobs and Growth Tax Relief and Reconciliation Act of 2003, H.R. 2, if it is enacted into law, are effective at the same time it became effective for federal purposes. The provisions of the Act of January 7, 2005, Public Law 109-1, to accelerate the income tax benefits for charitable cash contributions for the relief of victims of the Indian Ocean tsunami, are effective at the same time it became effective for federal purposes and apply to the subtraction under subdivision 19b, clause (7).~~

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

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2004, 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(g) 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 or sales and use taxes paid or accrued within the taxable year under this chapter and income or sales and use 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 (i) the standard deduction as defined in section 63(c) of the Internal Revenue Code minus (ii) any addition required under clause (10). For the purpose of this paragraph, the disallowance of itemized deductions under section 68 of the Internal Revenue Code of 1986, income or sales and use 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 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 expense, interest, or taxes disallowed pursuant to section 290.10;

(6) 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; ~~and~~

(7) 80 percent of the depreciation deduction allowed under section 168(k) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k) is allowed;

(8) 80 percent of the amount by which the deduction allowed by section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended through December 31, 2003;

(9) to the extent deducted in computing federal taxable income, the amount of the deduction allowable under section 199 of the Internal Revenue Code;

(10) for tax years beginning after December 31, 2006, to the extent deducted in computing federal taxable income, the amount by which the standard deduction allowed under section 63(c) of the Internal Revenue Code exceeds the standard deduction allowable under section 63(c) of the Internal Revenue Code of 1986, as amended through December 31, 2003; and

(11) the exclusion allowed under section 139A of the Internal Revenue Code for federal subsidies for prescription drug plans.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2004, except the changes in clause (2) are effective for tax years beginning after December 31, 2003.

Sec. 4. Minnesota Statutes 2004, 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 amount used to claim the credit allowed under section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and transportation of each qualifying child 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 363A. 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 purchased or leased for use 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. For purposes of the subtraction provided by this clause, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code;

(4) income as provided under section 290.0802;

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

(6) to the extent included in federal taxable income, postservice benefits for youth community service under section 124D.42 for volunteer service under United States Code, title 42, sections 12601 to 12604;

(7) to the extent not deducted in determining federal taxable income by an individual who does not itemize deductions for federal income tax purposes for the taxable year, an amount equal to 50 percent of the excess of charitable contributions over \$500 allowable as a deduction for the taxable year under section 170(a) of the Internal Revenue Code ~~over \$500~~ and under the provisions of Public Law 109-1;

(8) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code;

(9) for individuals who are allowed a federal foreign tax credit for taxes that do not qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover of subnational foreign taxes for the taxable year, but not to exceed the total subnational foreign taxes reported in claiming the foreign tax credit. For purposes of this clause, "federal foreign tax credit" means the credit allowed under section 27 of the Internal Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed under section 904(c) of the Internal Revenue Code minus national level foreign taxes to the extent they exceed the federal foreign tax credit;

(10) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (7), an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19a, clause (7), minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. The resulting delayed depreciation cannot be less than zero; ~~and~~

(11) job opportunity building zone income as provided under section 469.316;

(12) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (8), or 19c, clause (17), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (17), in the case of a shareholder of a corporation that is an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. If the net operating loss exceeds the addition for the tax year, a subtraction is not allowed under this clause; and

(13) to the extent included in federal taxable income, compensation paid to a service member as defined in United States Code, title 10, section 101(a)(5), for military service as defined in the Service Member Civil Relief Act, Public Law 108-189, section 101(2).

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2004, except the change to clause (7) is effective for tax years beginning after December 31, 2003.

Sec. 5. Minnesota Statutes 2004, 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, including but not limited to the tax imposed under section 290.0922, 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;

(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 exempt foreign trade income of a foreign sales corporation under sections 921(a) and 291 of the Internal Revenue Code;

(9) the amount of percentage depletion deducted under sections 611 through 614 and 291 of the Internal Revenue Code;

(10) 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;

(11) the amount of any deemed dividend from a foreign operating corporation determined pursuant to section 290.17, subdivision 4, paragraph (g);

(12) the amount of any environmental tax paid under section 59(a) of the Internal Revenue Code;

(13) 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;

(14) the amount of net income excluded under section 114 of the Internal Revenue Code;

(15) any increase in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of section 614 of Public Law 107-147; ~~and~~

(16) 80 percent of the depreciation deduction allowed under section 168(k) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k) is allowed;

(17) 80 percent of the amount by which the deduction allowed by section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended through December 31, 2003;

(18) to the extent deducted in computing federal taxable income, the amount of the deduction allowable under section 199 of the Internal Revenue Code; and

(19) the exclusion allowed under section 139A of the Internal Revenue Code for federal subsidies for prescription drug plans.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2004.

Sec. 6. Minnesota Statutes 2004, section 290.01, subdivision 19d, is amended to read:

Subd. 19d. [CORPORATIONS; MODIFICATIONS DECREASING FEDERAL TAXABLE INCOME.] For corporations, there shall be subtracted from federal taxable income after the increases provided in subdivision 19c:

(1) the amount of foreign dividend gross-up added to gross income for federal income tax purposes under section 78 of the Internal Revenue Code;

(2) the amount of salary expense not allowed for federal income tax purposes due to claiming the federal jobs credit under section 51 of the Internal Revenue Code;

(3) any dividend (not including any distribution in liquidation) paid within the taxable year by a national or state bank to the United States, or to any instrumentality of the United States exempt from federal income taxes, on the preferred stock of the bank owned by the United States or the instrumentality;

(4) amounts disallowed for intangible drilling costs due to differences between this chapter and the Internal Revenue Code in taxable years beginning before January 1, 1987, as follows:

(i) to the extent the disallowed costs are represented by physical property, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7, subject to the modifications contained in subdivision 19e; and

(ii) to the extent the disallowed costs are not represented by physical property, an amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section 290.09, subdivision 8;

(5) the deduction for capital losses pursuant to sections 1211 and 1212 of the Internal Revenue Code, except that:

(i) for capital losses incurred in taxable years beginning after December 31, 1986, capital loss carrybacks shall not be allowed;

(ii) for capital losses incurred in taxable years beginning after December 31, 1986, a capital loss carryover to each of the 15 taxable years succeeding the loss year shall be allowed;

(iii) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryback to each of the three taxable years preceding the loss year, subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed; and

(iv) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryover to each of the five taxable years succeeding the loss year to the extent such loss was not used in a prior taxable year and subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed;

(6) an amount for interest and expenses relating to income not taxable for federal income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or 291 of the Internal Revenue Code in computing federal taxable income;

(7) in the case of mines, oil and gas wells, other natural deposits, and timber for which percentage depletion was disallowed pursuant to subdivision 19c, clause (11), a reasonable allowance for depletion based on actual cost. In the case of leases the deduction must be apportioned between the lessor and lessee in accordance with rules prescribed by the commissioner. In the case of property held in trust, the allowable deduction must be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the trust, or if there is no provision in the instrument, on the basis of the trust's income allocable to each;

(8) 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, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7;

(9) amounts included in federal taxable income that are due to refunds of 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 a foreign country or possession of the United States to the extent that the taxes were added to federal taxable income under section 290.01, subdivision 19c, clause (1), in a prior taxable year;

(10) 80 percent of royalties, fees, or other like income accrued or received from a foreign operating corporation or a foreign corporation which is part of the same unitary business as the receiving corporation;

(11) income or gains from the business of mining as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota franchise tax;

(12) the amount of handicap access expenditures in the taxable year which are not allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue Code;

(13) the amount of qualified research expenses not allowed for federal income tax purposes under section 280C(c) of the Internal Revenue Code, but only to the extent that the amount exceeds the amount of the credit allowed under section 290.068;

(14) the amount of salary expenses not allowed for federal income tax purposes due to claiming the Indian employment credit under section 45A(a) of the Internal Revenue Code;

(15) the amount of any refund of environmental taxes paid under section 59A of the Internal Revenue Code;

(16) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code;

(17) for a corporation whose foreign sales corporation, as defined in section 922 of the Internal Revenue Code, constituted a foreign operating corporation during any taxable year ending before January 1, 1995, and a return was filed by August 15, 1996, claiming the deduction under section 290.21, subdivision 4, for income received from the foreign operating corporation, an amount equal to 1.23 multiplied by the amount of income excluded under section 114 of the Internal Revenue Code, provided the income is not income of a foreign operating company;

(18) any decrease in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of section 614 of Public Law 107-147; ~~and~~

(19) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (16), an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19c, clause (16). The resulting delayed depreciation cannot be less than zero; and

(20) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (17), an amount equal to one-fifth of the amount of the addition.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2004.

Sec. 7. Minnesota Statutes 2004, 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 ~~June 15, 2003~~ April 15, 2005.

[EFFECTIVE DATE.] This section is effective the day following final enactment except the changes incorporated by federal changes are effective at the same times as the changes were effective for federal purposes.

Sec. 8. Minnesota Statutes 2004, section 290.032, subdivision 1, is amended to read:

Subdivision 1. [IMPOSITION.] There is hereby imposed as an addition to the annual income tax for a taxable year of a taxpayer in the classes described in section 290.03 a tax with respect to any distribution received by such taxpayer that is treated as a lump sum distribution under section ~~402(d) of the Internal Revenue Code~~ 1401(c)(2) of the Small Business Job Protection Act, Public Law 104-188 and that is subject to tax for such taxable year under section ~~402(d) of the Internal Revenue Code~~ 1401(c)(2) of the Small Business Job Protection Act, Public Law 104-188.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 1999.

Sec. 9. Minnesota Statutes 2004, section 290.032, subdivision 2, is amended to read:

Subd. 2. [COMPUTATION.] The amount of tax imposed by subdivision 1 shall be computed in the same way as the tax imposed under section 402(d) of the Internal Revenue Code of 1986, as amended through December 31, 1995, except that the initial separate tax shall be an amount equal to five times the tax which would be imposed by section 290.06, subdivision 2c, if the recipient was an unmarried individual, and the taxable net income was an amount equal to one-fifth of the excess of

(i) the total taxable amount of the lump sum distribution for the year, over

(ii) the minimum distribution allowance, and except that references in section 402(d) of the Internal Revenue Code of 1986, as amended through December 31, 1995, to paragraph (1)(A) thereof shall instead be references to subdivision 1, and the excess, if any, of the subtraction base amount over federal taxable income for a qualified individual as provided under section 290.0802, subdivision 2.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 1999.

Sec. 10. Minnesota Statutes 2004, 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 \$25,680, 5.35 percent;
- (2) On all over \$25,680, but not over \$102,030, 7.05 percent;
- (3) On all over \$102,030, 7.85 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 \$17,570, 5.35 percent;
- (2) On all over \$17,570, but not over \$57,710, 7.05 percent;
- (3) On all over \$57,710, 7.85 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 \$21,630, 5.35 percent;
- (2) On all over \$21,630, but not over \$86,910, 7.05 percent;
- (3) On all over \$86,910, 7.85 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 and increased by the additions required under section 290.01, subdivision 19a, clauses (1), (5), ~~and (6), (7), (8), and (9)~~, and reduced by the subtraction under section 290.01, subdivision 19b, clause (11), and the Minnesota assignable portion of the subtraction for United States government interest under section 290.01, subdivision 19b, clause (1), and the subtractions under clauses (10), (11), (12), and (13), 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, increased by the amounts specified in section 290.01, subdivision 19a, clauses (1), (5), ~~and~~ (6), ~~(7), (8), and (9)~~, and reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1) ~~and~~, ~~(10), (11), (12), and (13)~~.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2004.

Sec. 11. Minnesota Statutes 2004, section 290.067, subdivision 1, is amended to read:

Subdivision 1. [AMOUNT OF CREDIT.] (a) A taxpayer may take as a credit against the tax due from the taxpayer and a spouse, if any, under this chapter an amount equal to the dependent care credit for which the taxpayer is eligible pursuant to the provisions of section 21 of the Internal Revenue Code subject to the limitations provided in subdivision 2 except that in determining whether the child qualified as a dependent, income received as a Minnesota family investment program grant or allowance to or on behalf of the child must not be taken into account in determining whether the child received more than half of the child's support from the taxpayer, and the provisions of section 32(b)(1)(D) of the Internal Revenue Code do not apply.

(b) If a child who has not attained the age of six years at the close of the taxable year is cared for at a licensed family day care home operated by the child's parent, the taxpayer is deemed to have paid employment-related expenses. If the child is 16 months old or younger at the close of the taxable year, the amount of expenses deemed to have been paid equals the maximum limit for one qualified individual under section 21(c) and (d) of the Internal Revenue Code. If the child is older than 16 months of age but has not attained the age of six years at the close of the taxable year, the amount of expenses deemed to have been paid equals the amount the licensee would charge for the care of a child of the same age for the same number of hours of care.

(c) If a married couple:

(1) has a child who has not attained the age of one year at the close of the taxable year;

(2) files a joint tax return for the taxable year; and

(3) does not participate in a dependent care assistance program as defined in section 129 of the Internal Revenue Code, in lieu of the actual employment related expenses paid for that child under paragraph (a) or the deemed amount under paragraph (b), the lesser of (i) the combined earned income of the couple or (ii) the amount of the maximum limit for one qualified individual under section 21(c) and (d) of the Internal Revenue Code will be deemed to be the employment related expense paid for that child. The earned income limitation of section 21(d) of the Internal Revenue Code shall not apply to this deemed amount. These deemed amounts apply regardless of whether any employment-related expenses have been paid.

(d) If the taxpayer is not required and does not file a federal individual income tax return for the tax year, no credit is allowed for any amount paid to any person unless:

(1) the name, address, and taxpayer identification number of the person are included on the return claiming the credit; or

(2) if the person is an organization described in section 501(c)(3) of the Internal Revenue Code and exempt from tax under section 501(a) of the Internal Revenue Code, the name and address of the person are included on the return claiming the credit.

In the case of a failure to provide the information required under the preceding sentence, the preceding sentence does not apply if it is shown that the taxpayer exercised due diligence in attempting to provide the information required.

In the case of a nonresident, part-year resident, or a person who has earned income not subject to tax under this chapter including earned income excluded pursuant to section 290.01, subdivision 19b, clause (11), the credit determined under section 21 of the Internal Revenue Code must be allocated based on the ratio by which the earned income of the claimant and the claimant's spouse from Minnesota sources bears to the total earned income of the claimant and the claimant's spouse.

For residents of Minnesota, the exclusion of combat pay under section 112 of the Internal Revenue Code is not considered "earned income not subject to tax under this chapter."

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2003.

Sec. 12. Minnesota Statutes 2004, 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:

- (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 of 1986, as amended through December 31, 1995;

(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;

(xiii) the amount of deduction allowed under section 199 of the Internal Revenue Code; and

(xiv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue Code.

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;

(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;

(3) surplus food or other relief in kind supplied by a governmental agency;

(4) relief granted under chapter 290A;

(5) child support payments received under a temporary or final decree of dissolution or legal separation; and

(6) restitution payments received by eligible individuals and excludable interest as defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2003.

Sec. 13. Minnesota Statutes 2004, 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 earned income. To receive a credit, a taxpayer must be eligible for a credit under section 32 of the Internal Revenue Code.

(b) For individuals with no qualifying children, the credit equals 1.9125 percent of the first \$4,620 of earned income. The credit is reduced by 1.9125 percent of earned income or modified adjusted gross income, whichever is greater, in excess of \$5,770, but in no case is the credit less than zero.

(c) For individuals with one qualifying child, the credit equals 8.5 percent of the first \$6,920 of earned income and 8.5 percent of earned income over \$12,080 but less than \$13,450. The credit is reduced by 5.73 percent of earned income or modified adjusted gross income, whichever is greater, in excess of \$15,080, but in no case is the credit less than zero.

(d) For individuals with two or more qualifying children, the credit equals ten percent of the first \$9,720 of earned income and 20 percent of earned income over \$14,860 but less than \$16,800. The credit is reduced by 10.3 percent of earned income or modified adjusted gross income, whichever is greater, in excess of \$17,890, but in no case is the credit less than zero.

(e) For a nonresident or part-year resident, the credit 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, including income excluded under section 290.01, subdivision 19b, clause (11), the credit must be allocated based on the ratio of federal adjusted gross income reduced by the earned income not subject to tax under this chapter over federal adjusted gross income. For the purposes of this paragraph, the exclusion of combat pay under section 112 of the Internal Revenue Code is not considered "earned income not subject to tax under this chapter."

(g) For tax years beginning after December 31, 2001, and before December 31, 2004, the \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by \$1,000 for married taxpayers filing joint returns.

(h) For tax years beginning after December 31, 2004, and before December 31, 2007, the \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by \$2,000 for married taxpayers filing joint returns.

(i) For tax years beginning after December 31, 2007, and before December 31, 2010, the \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by \$3,000 for married taxpayers filing joint returns. For tax years beginning after December 31, 2008, the \$3,000 is adjusted annually for inflation under subdivision 7.

(j) The commissioner shall construct tables showing the amount of the credit at various income levels and make them available to taxpayers. The tables shall follow the schedule contained in this subdivision, except that the commissioner may graduate the transition between income brackets.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2003.

Sec. 14. Minnesota Statutes 2004, section 290.0675, subdivision 1, is amended to read:

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

(b) "Earned income" means the sum of the following, to the extent included in Minnesota taxable income:

(1) earned income as defined in section 32(c)(2) of the Internal Revenue Code;

(2) income received from a retirement pension, profit-sharing, stock bonus, or annuity plan; and

(3) Social Security benefits as defined in section 86(d)(1) of the Internal Revenue Code.

(c) "Taxable income" means net income as defined in section 290.01, subdivision 19.

(d) "Earned income of lesser-earning spouse" means the earned income of the spouse with the lesser amount of earned income as defined in paragraph (b) for the taxable year minus the sum of (i) the amount for one exemption under section 151(d) of the Internal Revenue Code and (ii) one-half the amount of the standard deduction under section 63(c)(2)(A) and (4) of the Internal Revenue Code minus one-half of any addition required under section 290.01, subdivision 19a, clause (10).

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2004.

Sec. 15. Minnesota Statutes 2004, 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 charitable contribution deduction under section 170 of the Internal Revenue Code to the extent that the deduction exceeds 1.0 percent of adjusted gross income, as defined in section 62 of the Internal Revenue Code;

(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); and

(6) the amount of addition required by section 290.01, subdivision 19a, ~~clause~~ clauses (7), (8), and (9);

less the sum of the amounts determined under the following:

(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;

(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 (10) ~~and~~, (11), (12), and (13).

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 6.4 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.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2004.

Sec. 16. Minnesota Statutes 2004, 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;

(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 of 1986, as amended through December 31, 1995;

(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;

(xiii) the amount of deduction allowed under section 199 of the Internal Revenue Code; and

(xiv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue Code.

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;

(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;

(e) child support payments received under a temporary or final decree of dissolution or legal separation; or

(f) restitution payments received by eligible individuals and excludable interest as defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16.

(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.

[EFFECTIVE DATE.] This section is effective for property tax refunds based on household income for 2004 and thereafter.

Sec. 17. Minnesota Statutes 2004, 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 ~~June 15, 2003~~ April 15, 2005.

[EFFECTIVE DATE.] This section is effective for property tax refunds based on property taxes payable on or after December 31, 2004, and rent paid on or after December 31, 2003.

ARTICLE 7

SALES AND USE TAXES

Section 1. Minnesota Statutes 2004, section 16C.03, is amended by adding a subdivision to read:

Subd. 18. [CONTRACTS WITH FOREIGN VENDORS.] (a) The commissioner and other agencies to which this section applies and the legislative branch of government shall, subject to paragraph (d), cancel a contract for goods or services from a vendor or an affiliate of a vendor or suspend or debar a vendor or an affiliate of a vendor from future contracts upon notification from the commissioner of revenue that the vendor or an affiliate of the vendor has not registered to collect the sales and use tax imposed under chapter 297A on its sales in Minnesota or to a destination in Minnesota. This subdivision shall not apply to state colleges and universities, the courts, and any agency in the judicial branch of government. For purposes of this subdivision, the term "affiliate" means any person or entity that is controlled by, or is under common control of, a vendor through stock ownership or other affiliation.

(b) Beginning January 1, 2006, each vendor or affiliate of a vendor selling goods or services, subject to tax under chapter 297A, to an agency or the legislature must provide its Minnesota sales and use tax business identification number, upon request, to show that the vendor is registered to collect Minnesota sales or use tax.

(c) The commissioner of revenue shall periodically provide to the commissioner and the legislative branch a list of vendors who have not registered to collect Minnesota sales and use tax and who are subject to being suspended or debarred as vendors or having their contracts canceled.

(d) The provisions of this subdivision may be waived by the commissioner or the legislative branch when the vendor is the single source of such goods or services, in the event of an emergency, or when it is in the best interests of the state as determined by the commissioner in consultation with the commissioner of revenue. Such consultation is not a disclosure violation under chapter 270B.

[EFFECTIVE DATE.] This section is effective for all contracts entered into after December 31, 2005.

Sec. 2. Minnesota Statutes 2004, section 289A.38, subdivision 6, is amended to read:

Subd. 6. [OMISSION IN EXCESS OF 25 PERCENT.] Additional taxes may be assessed within 6-1/2 years after the due date of the return or the date the return was filed, whichever is later, if:

(1) the taxpayer omits from gross income an amount properly includable in it that is in excess of 25 percent of the amount of gross income stated in the return;

(2) the taxpayer omits from a sales, use, or withholding tax return an amount of taxes in excess of 25 percent of the taxes reported in the return; or

(3) the taxpayer omits from the gross estate assets in excess of 25 percent of the gross estate reported in the return.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2004, section 289A.38, is amended by adding a subdivision to read:

Subd. 15. [PURCHASER FILED REFUND CLAIMS.] If a purchaser refund claim is filed under section 289A.50, subdivision 2a, and the basis for the claim is that the purchaser was improperly charged tax on an improvement to real property or on the purchase of nontaxable services, sales or use tax may be assessed for the cost of materials used to make the real property improvement or to perform the nontaxable service. The assessment may be made against the person making the improvement to real property or the sale of nontaxable services, within the period prescribed in subdivision 1, or within one year after the date of the refund order, whichever is later.

[EFFECTIVE DATE.] This section is effective for purchaser refund claims filed on or after July 1, 2005.

Sec. 4. Minnesota Statutes 2004, section 289A.40, subdivision 2, is amended to read:

Subd. 2. [BAD DEBT LOSS.] If a claim relates to an overpayment because of a failure to deduct a loss due to a bad debt or to a security becoming worthless, the claim is considered timely if filed within seven years from the date prescribed for the filing of the return. A claim relating to an overpayment of taxes under chapter 297A must be filed within 3-1/2 years from the date prescribed for filing the return, plus any extensions granted for filing the return, but only if filed within the extended time. The refund or credit is limited to the amount of overpayment attributable to the loss. "Bad debt" for purposes of this subdivision, has the same meaning as that term is used in United States Code, title 26, section 166, except that for a claim relating to an overpayment of taxes under chapter 297A the following are excluded from the calculation of bad debt: financing charges or interest; sales or use taxes charged on the purchase price; uncollectible amounts on property that remain in the possession of the seller until the full purchase price is paid; expenses incurred in attempting to collect any debt; and repossessed property.

[EFFECTIVE DATE.] For claims relating to an overpayment of taxes under chapter 297A, this section is effective for sales and purchases made on or after January 1, 2004; for all other bad debts or claims, this section is effective on or after July 1, 2003.

Sec. 5. Minnesota Statutes 2004, section 289A.40, is amended by adding a subdivision to read:

Subd. 4. [PURCHASER FILED REFUND CLAIMS.] A claim for refund of taxes paid on a transaction not subject to tax under chapter 297A, where the purchaser may apply directly to the commissioner under section 289A.50, subdivision 2a, must be filed within 3-1/2 years from the 20th day of the month following the month of the invoice date for the purchase.

[EFFECTIVE DATE.] This section is effective for claims filed on or after the day following final enactment.

Sec. 6. Minnesota Statutes 2004, section 289A.40, is amended by adding a subdivision to read:

Subd. 5. [CAPITAL EQUIPMENT REFUND CLAIMS.] A claim for refund for taxes paid under chapter 297A on capital equipment must be filed within 3-1/2 years from the 20th day of the month following the month of the invoice date for the purchase of the capital equipment. A claim for refund for taxes imposed on capital equipment under section 297A.63 must be filed within 3-1/2 years from the date prescribed for filing the return, or one year from the date of an order assessing tax under section 289A.37, subdivision 1, upon payment in full of the tax, penalties, and interest shown on the order, whichever period expires later.

[EFFECTIVE DATE.] This section is effective for claims filed on or after the day following final enactment.

Sec. 7. Minnesota Statutes 2004, section 297A.61, subdivision 3, is amended to read:

Subd. 3. [SALE AND PURCHASE.] (a) "Sale" and "purchase" include, but are not limited to, each of the transactions listed in this subdivision.

(b) Sale and purchase include:

(1) any transfer of title or possession, or both, of tangible personal property, whether absolutely or conditionally, for a consideration in money or by exchange or barter; and

(2) the leasing of or the granting of a license to use or consume, for a consideration in money or by exchange or barter, tangible personal property, other than a manufactured home used for residential purposes for a continuous period of 30 days or more.

(c) Sale and purchase include the production, fabrication, printing, or processing of tangible personal property for a consideration for consumers who furnish either directly or indirectly the materials used in the production, fabrication, printing, or processing.

(d) Sale and purchase include the preparing for a consideration of food. Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited to, the following:

(1) prepared food sold by the retailer;

(2) soft drinks;

(3) candy; ~~and~~

(4) dietary supplements; and

(5) all food sold through vending machines, except milk.

(e) A sale and a purchase includes the furnishing for a consideration of electricity, gas, water, or steam for use or consumption within this state.

(f) A sale and a purchase includes the transfer for a consideration of prewritten computer software whether delivered electronically, by load and leave, or otherwise.

(g) A sale and a purchase includes the furnishing for a consideration of the following services:

(1) the privilege of admission to places of amusement, recreational areas, or athletic events, and the making available of amusement devices, tanning facilities, reducing salons, steam baths, turkish baths, health clubs, and spas or athletic facilities;

(2) lodging and related services by a hotel, rooming house, resort, campground, motel, or trailer camp and the granting of any similar license to use real property in a specific facility, other than the renting or leasing of it for a continuous period of 30 days or more under an enforceable written agreement that may not be terminated without prior notice;

(3) nonresidential parking services, whether on a contractual, hourly, or other periodic basis, except for parking at a meter;

(4) the granting of membership in a club, association, or other organization if:

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

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

Granting of membership means both onetime initiation fees and periodic membership dues. Sports and athletic facilities include golf courses; tennis, racquetball, handball, and squash courts; basketball and volleyball facilities; running tracks; exercise equipment; swimming pools; and other similar athletic or sports facilities;

(5) delivery of aggregate materials and concrete block by a third party if the delivery would be subject to the sales tax if provided by the seller of the aggregate material or concrete block; and

(6) services as provided in this clause:

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

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

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

(iv) detective, security, burglar, fire alarm, and armored car services; but not including services performed within the jurisdiction they serve by off-duty licensed peace officers as defined in section 626.84, subdivision 1, or services provided by a nonprofit organization for monitoring and electronic surveillance of persons placed on in-home detention pursuant to court order or under the direction of the Minnesota Department of Corrections;

(v) pet grooming services;

(vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor plant care; tree, bush, shrub, and stump removal, except when performed as part of a land clearing contract as defined in section 297A.68, subdivision 40; and tree trimming for public utility lines. Services performed under a construction contract for the installation of shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

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

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

In applying the provisions of this chapter, the terms "tangible personal property" and "sales at retail" include taxable services listed in clause (6), items (i) to (vi) and (viii), and the provision of these taxable services, unless specifically provided otherwise. Services performed by an employee for an employer are not taxable. Services performed by a partnership or association for another partnership or association are not taxable if one of the entities owns or controls more than 80 percent of the voting power of the equity interest in the other entity. Services performed between members of an affiliated group of corporations are not taxable. For purposes of the preceding sentence, "affiliated group of corporations" includes those entities that would be classified as members of an affiliated group under United States Code, title 26, section 1504, and that are eligible to file a consolidated tax return for federal income tax purposes.

(h) A sale and a purchase includes the furnishing for a consideration of tangible personal property or taxable services by the United States or any of its agencies or instrumentalities, or the state of Minnesota, its agencies, instrumentalities, or political subdivisions.

(i) A sale and a purchase includes the furnishing for a consideration of telecommunications services, including cable television services and direct satellite services. Telecommunications services are taxed to the extent allowed under federal law.

(j) A sale and a purchase includes the furnishing for a consideration of installation if the installation charges would be subject to the sales tax if the installation were provided by the seller of the item being installed.

(k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer to a customer when (1) the vehicle is rented by the customer for a consideration, or (2) the motor vehicle dealer is reimbursed pursuant to a service contract as defined in section 65B.29, subdivision 1, clause (1).

[EFFECTIVE DATE.] This section is effective the day following final enactment except that the amendment to paragraph (d), clause (5), is effective for sales made after June 30, 2005, and the amendment to paragraph (g), clause (6)(vi), is effective for sales and purchases made after October 28, 2002, but for land clearing contracts entered into after October 28, 2002, no refunds may be claimed under Minnesota Statutes, section 289A.50, for sales taxes collected and remitted to the state on the land clearing contracts.

Sec. 8. Minnesota Statutes 2004, section 297A.61, subdivision 4, is amended to read:

Subd. 4. **[RETAIL SALE.]** (a) A "retail sale" means any sale, lease, or rental for any purpose, other than resale, sublease, or subrent of items by the purchaser in the normal course of business as defined in subdivision 21.

(b) A sale of property used by the owner only by leasing it to others or by holding it in an effort to lease it, and put to no use by the owner other than resale after the lease or effort to lease, is a sale of property for resale.

(c) A sale of master computer software that is purchased and used to make copies for sale or lease is a sale of property for resale.

(d) A sale of building materials, supplies, and equipment to owners, contractors, subcontractors, or builders for the erection of buildings or the alteration, repair, or improvement of real property is a retail sale in whatever quantity sold, whether the sale is for purposes of resale in the form of real property or otherwise.

(e) A sale of carpeting, linoleum, or similar floor covering to a person who provides for installation of the floor covering is a retail sale and not a sale for resale since a sale of floor covering which includes installation is a contract for the improvement of real property.

(f) A sale of shrubbery, plants, sod, trees, and similar items to a person who provides for installation of the items is a retail sale and not a sale for resale since a sale of shrubbery, plants, sod, trees, and similar items that includes installation is a contract for the improvement of real property.

(g) A sale of tangible personal property that is awarded as prizes is a retail sale and is not considered a sale of property for resale.

(h) A sale of tangible personal property utilized or employed in the furnishing or providing of services under subdivision 3, paragraph (g), clause (1), including, but not limited to, property given as promotional items, is a retail sale and is not considered a sale of property for resale.

(i) A sale of tangible personal property used in conducting lawful gambling under chapter 349 or the state lottery under chapter 349A, including, but not limited to, property given as promotional items, is a retail sale and is not considered a sale of property for resale.

(j) A sale of machines, equipment, or devices that are used to furnish, provide, or dispense goods or services, including, but not limited to, coin-operated devices, is a retail sale and is not considered a sale of property for resale.

(k) In the case of a lease, a retail sale occurs (1) when an obligation to make a lease payment becomes due under the terms of the agreement or the trade practices of the lessor or (2) in the case of a lease of a motor vehicle, as defined in section 297B.01, subdivision 5, but excluding vehicles with a manufacturer's gross vehicle weight rating greater than 11,000 pounds and rentals of vehicles for not more than 28 days, at the time the lease is executed.

(l) In the case of a conditional sales contract, a retail sale occurs upon the transfer of title or possession of the tangible personal property.

[EFFECTIVE DATE.] This section is effective the day following final enactment, except that the amendments to paragraph (k) are effective for leases entered into after September 30, 2005.

Sec. 9. Minnesota Statutes 2004, section 297A.61, is amended by adding a subdivision to read:

Subd. 37. [PERSONAL RAPID TRANSIT SYSTEM.] "Personal rapid transit system" means a transportation system of small, computer-controlled vehicles, transporting one to three passengers on elevated guideways in a transportation network operating on demand and nonstop directly to any stations in the network.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after June 30, 2005.

Sec. 10. Minnesota Statutes 2004, section 297A.64, subdivision 4, is amended to read:

Subd. 4. [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. The tax and the fee imposed under this section do not apply when the lease or rental of a vehicle is exempt from the tax imposed under section 297A.62, subdivision 1.

(b) The lessor may elect not to charge the fee imposed in subdivision 2 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.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 11. Minnesota Statutes 2004, section 297A.668, subdivision 1, is amended to read:

Subdivision 1. [APPLICABILITY.] The provisions of this section apply regardless of the characterization of a product as tangible personal property, a digital good, or a service; but do not apply to telecommunications services, or the sales of motor vehicles, ~~watercraft, aircraft, modular homes, manufactured homes, or mobile homes~~. These provisions only apply to determine a seller's obligation to pay or collect and remit a sales or use tax with respect to the seller's sale of a product. These provisions do not affect the obligation of a seller as purchaser to remit tax on the use of the product.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 12. Minnesota Statutes 2004, section 297A.668, subdivision 5, is amended to read:

Subd. 5. [TRANSPORTATION EQUIPMENT.] (a) The retail sale, including lease or rental, of transportation equipment shall be sourced the same as a retail sale in accordance with the provisions of subdivision 2, notwithstanding the exclusion of lease or rental in subdivision 2.

(b) "Transportation equipment" means any of the following:

(1) locomotives and railcars that are utilized for the carriage of persons or property in interstate commerce; ~~and/or~~

(2) trucks and truck-tractors with a gross vehicle weight rating (GVWR) of 10,001 pounds or greater, trailers, semitrailers, or passenger buses that are:

(i) registered through the international registration plan; and

(ii) operated under authority of a carrier authorized and certified by the United States Department of Transportation or another federal authority to engage in the carriage of persons or property in interstate commerce;

(3) aircraft that are operated by air carriers authorized and certificated by the United States Department of Transportation or another federal or a foreign authority to engage in the carriage of persons or property in interstate commerce; or

(4) containers designed for use on and component parts attached or secured on the transportation equipment described in items (1) through (3).

[EFFECTIVE DATE.] This section is effective for sales and purchases made on or after January 1, 2004.

Sec. 13. Minnesota Statutes 2004, section 297A.67, subdivision 2, is amended to read:

Subd. 2. [FOOD AND FOOD INGREDIENTS.] Except as otherwise provided in this subdivision, food and food ingredients are exempt. For purposes of this subdivision, "food" and "food ingredients" mean substances, whether in liquid, concentrated, solid, frozen, dried, or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value. Food and food ingredients exempt under this

subdivision do not include candy, soft drinks, food sold through vending machines, dietary supplements, and prepared foods. Food and food ingredients do not include alcoholic beverages, ~~dietary supplements~~, and tobacco. For purposes of this subdivision, "alcoholic beverages" means beverages that are suitable for human consumption and contain one-half of one percent or more of alcohol by volume. For purposes of this subdivision, "tobacco" means cigarettes, cigars, chewing or pipe tobacco, or any other item that contains tobacco. For purposes of this subdivision, "dietary supplements" means any product, other than tobacco, intended to supplement the diet that:

(1) contains one or more of the following dietary ingredients:

(i) a vitamin;

(ii) a mineral;

(iii) an herb or other botanical;

(iv) an amino acid;

(v) a dietary substance for use by humans to supplement the diet by increasing the total dietary intake; and

(vi) a concentrate, metabolite, constituent, extract, or combination of any ingredient described in items (i) to (v);

(2) is intended for ingestion in tablet, capsule, powder, softgel, gelcap, or liquid form, or if not intended for ingestion in such form, is not represented as conventional food and is not represented for use as a sole item of a meal or of the diet; and

(3) is required to be labeled as a dietary supplement, identifiable by the supplement facts box found on the label and as required pursuant to Code of Federal Regulations, title 21, section 101.36.

[EFFECTIVE DATE.] This section is effective for sales made on or after the day following final enactment.

Sec. 14. Minnesota Statutes 2004, section 297A.67, subdivision 7, is amended to read:

Subd. 7. ~~[MEDICINES DRUGS; MEDICAL DEVICES.]~~ (a) Prescribed Sales of the following drugs and medical devices are exempt:

~~(1) drugs and medicine, and insulin, intended for internal or external use, in the cure, mitigation, treatment, or prevention of illness or disease in human beings are exempt. "Prescribed drugs and medicine" includes use, including over-the-counter drugs or medicine prescribed by a licensed health care professional.~~

~~(b) Nonprescription medicines consisting principally (determined by the weight of all ingredients) of analgesics that are approved by the United States Food and Drug Administration for internal use by human beings are exempt. For purposes of this subdivision, "principally" means greater than 50 percent analgesics by weight.~~

~~(c) Prescription glasses, hospital beds, fever thermometers, reusable;~~

~~(2) single-use finger-pricking devices for the extraction of blood, blood glucose monitoring machines, and other single-use devices and single-use diagnostic agents used in diagnosing, monitoring, or treating diabetes, and therapeutic and;~~

(3) insulin and medical oxygen for human use, regardless of whether prescribed or sold over the counter;

~~(4) prosthetic devices are exempt. "Therapeutic devices" means devices that are attached or applied to the human body to cure, heal, or alleviate injury, illness, or disease, either directly or by administering a curative agent. "Prosthetic devices" means devices that replace injured, diseased, or missing parts of the human body, either temporarily or permanently;~~

(5) durable medical equipment for home use only;

(6) mobility enhancing equipment; and

(7) prescription corrective eyeglasses.

(b) For purposes of this subdivision:

(1) "Drug" means a compound, substance, or preparation, and any component of a compound, substance, or preparation, other than food and food ingredients, dietary supplements, or alcoholic beverages that is:

(i) recognized in the official United States Pharmacopoeia, official Homeopathic Pharmacopoeia of the United States, or official National Formulary, and supplement to any of them;

(ii) intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease; or

(iii) intended to affect the structure or any function of the body.

(2) "Durable medical equipment" means equipment, including repair and replacement parts, but not including mobility enhancing equipment, that:

(i) can withstand repeated use;

(ii) is primarily and customarily used to serve a medical purpose;

(iii) generally is not useful to a person in the absence of illness or injury; and

(iv) is not worn in or on the body.

(3) "Mobility enhancing equipment" means equipment, including repair and replacement parts, but not including durable medical equipment, that:

(i) is primarily and customarily used to provide or increase the ability to move from one place to another and that is appropriate for use either in a home or a motor vehicle;

(ii) is not generally used by persons with normal mobility; and

(iii) does not include any motor vehicle or equipment on a motor vehicle normally provided by a motor vehicle manufacturer.

(4) "Over-the-counter drug" means a drug that contains a label that identifies the product as a drug as required by Code of Federal Regulations, title 21, section 201.66. The label must include a "drug facts" panel or a statement of the active ingredients with a list of those ingredients contained in the compound, substance, or preparation. Over-the-counter drugs do not include grooming and hygiene products, regardless of whether they otherwise meet the definition. "Grooming and hygiene products" are soaps, cleaning solutions, shampoo, toothpaste, mouthwash, antiperspirants, and suntan lotions and sunscreens.

(5) "Prescribed" and "prescription" means a direction in the form of an order, formula, or recipe issued in any form of oral, written, electronic, or other means of transmission by a duly licensed health care professional.

(6) "Prosthetic device" means a replacement, corrective, or supportive device, including repair and replacement parts, worn on or in the body to:

- (i) artificially replace a missing portion of the body;
- (ii) prevent or correct physical deformity or malfunction; or
- (iii) support a weak or deformed portion of the body.

Prosthetic device does not include corrective eyeglasses.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after June 30, 2005.

Sec. 15. Minnesota Statutes 2004, section 297A.67, subdivision 9, is amended to read:

Subd. 9. [BABY PRODUCTS.] ~~(a) Products such as lotion, creams, ointments, oil, powder, or shampoo, and other articles designed for application to the hair or skin of babies are exempt.~~

~~(b) Baby bottles and nipples, pacifiers, teething rings, thumb-sucking preventatives, and infant syringes are exempt.~~

[EFFECTIVE DATE.] This section is effective for sales and purchases made after June 30, 2005.

Sec. 16. Minnesota Statutes 2004, section 297A.67, subdivision 29, is amended to read:

Subd. 29. [SOLAR ENERGY EFFICIENT PRODUCTS.] ~~(a) A residential lighting fixture or a compact fluorescent bulb is exempt if it has an energy star label.~~

~~(b) The following products are exempt if they have an energyguide label that indicates that the product meets or exceeds the standards listed below:~~

- ~~(1) an electric heat pump hot water heater with an energy factor of at least 1.9;~~
- ~~(2) a natural gas water heater with an energy factor of at least 0.62;~~
- ~~(3) a propane gas or fuel oil water heater with an energy factor of at least 0.62;~~
- ~~(4) a natural gas furnace with an annual fuel utilization efficiency greater than 92 percent; and~~
- ~~(5) a propane gas or fuel oil furnace with an annual fuel utilization efficiency greater than 92 percent.~~

~~(e) A photovoltaic device solar energy system, as defined in section 216C.06, subdivision 17, is exempt. For purposes of this subdivision, "photovoltaic device" means a solid state electrical device, such as a solar module, that converts light directly into direct current electricity of voltage current characteristics that are a function of the characteristics of the light source and the materials in and design of the device. A "solar module" is a photovoltaic device that produces a specified power output under defined test conditions, usually composed of groups of solar cells connected in series, in parallel, or in series-parallel combinations.~~

~~(d) For purposes of this subdivision, "energy star label" means the label granted to certain products that meet United States Environmental Protection Agency and United States Department of Energy criteria for energy efficiency. For purposes of this subdivision, "energyguide label" means the label that the United States Federal Trade Commissioner requires manufacturers to apply to certain appliances under United States Code, title 16, part 305.~~

[EFFECTIVE DATE.] This section is effective for sales and purchases made on or after August 1, 2005.

Sec. 17. Minnesota Statutes 2004, section 297A.67, is amended by adding a subdivision to read:

Subd. 32. [CIGARETTES.] Cigarettes upon which a tax has been imposed under section 297F.25 are exempt.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after July 31, 2005.

Sec. 18. Minnesota Statutes 2004, section 297A.68, subdivision 2, is amended to read:

Subd. 2. [MATERIALS CONSUMED IN INDUSTRIAL PRODUCTION.] (a) Materials stored, used, or consumed in industrial production of personal property intended to be sold ultimately at retail are exempt, whether or not the item so used becomes an ingredient or constituent part of the property produced. Materials that qualify for this exemption include, but are not limited to, the following:

- (1) chemicals, including chemicals used for cleaning food processing machinery and equipment;
 - (2) materials, including chemicals, fuels, and electricity purchased by persons engaged in industrial production to treat waste generated as a result of the production process;
 - (3) fuels, electricity, gas, and steam used or consumed in the production process, except that electricity, gas, or steam used for space heating, cooling, or lighting is exempt if (i) it is in excess of the average climate control or lighting for the production area, and (ii) it is necessary to produce that particular product;
 - (4) petroleum products and lubricants;
 - (5) packaging materials, including returnable containers used in packaging food and beverage products;
 - (6) accessory tools, equipment, and other items that are separate detachable units with an ordinary useful life of less than 12 months used in producing a direct effect upon the product; and
 - (7) the following materials, tools, and equipment used in metalcasting: crucibles, thermocouple protection sheaths and tubes, stalk tubes, refractory materials, molten metal filters and filter boxes, degassing lances, and base blocks.
- (b) This exemption does not include:
- (1) machinery, equipment, implements, tools, accessories, appliances, contrivances and furniture and fixtures, except those listed in paragraph (a), clause (6); and
 - (2) petroleum and special fuels used in producing or generating power for propelling ready-mixed concrete trucks on the public highways of this state.

(c) Industrial production includes, 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, the production of road building materials, and the research, development, design, or production of computer software. Industrial production does not include painting, cleaning, repairing or similar processing of property except as part of the original manufacturing process.

(d) Industrial production does not include:

(1) the furnishing of services listed in section 297A.61, subdivision 3, paragraph (g), clause (6), items (i) to (vi) and (viii); or

(2) the transportation, transmission, or distribution of petroleum, liquefied gas, natural gas, water, or steam, in, by, or through pipes, lines, tanks, mains, or other means of transporting those products. For purposes of this paragraph, "transportation, transmission, or distribution" does not include blending of petroleum or biodiesel fuel as defined in section 239.77.

[EFFECTIVE DATE.] This section is effective the day following final enactment, except that the provision in paragraph (d) is effective for sales and purchases made after June 30, 2005.

Sec. 19. Minnesota Statutes 2004, section 297A.68, subdivision 5, is amended to read:

Subd. 5. [CAPITAL EQUIPMENT.] (a) Capital equipment is exempt. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied, and then refunded in the manner provided in section 297A.75, unless:

(1) the purchaser qualifies as a small business as defined in section 645.445, subdivision 2, paragraphs (a) to (c);

(2) the business is located in the state; and

(3) the purchaser provides an exemption certificate as required in section 297A.72, subdivision 3.

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

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

(1) machinery and equipment used 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 used 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;

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

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

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

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

(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, except for materials included in paragraph (b), clauses (6) and (7);

(4) machinery or equipment used for nonproduction purposes, including, but not limited to, the following: plant security, fire prevention, first aid, and hospital stations; support operations or administration; pollution control; and plant cleaning, disposal of scrap and waste, plant communications, space heating, cooling, lighting, or safety;

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

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

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

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

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

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

(4) "Machinery" means mechanical, electronic, or electrical devices, including computers and computer 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 completion of the product, including packaging of the product.

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

(6) "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.

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

(8) "On-line data retrieval system" means a system whose cumulation of information is equally available and accessible to all its customers.

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

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

[EFFECTIVE DATE.] This section is effective the day following final enactment, except that the second sentence in paragraph (a) is effective for sales and purchases made after December 31, 2005, and paragraph (c), clause (9), is effective for sales and purchases made after June 30, 2005.

Sec. 20. Minnesota Statutes 2004, section 297A.68, subdivision 28, is amended to read:

Subd. 28. [MEDICAL SUPPLIES.] 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 durable medical equipment or components of durable 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.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after June 30, 2005.

Sec. 21. Minnesota Statutes 2004, section 297A.68, subdivision 35, is amended to read:

Subd. 35. [TELECOMMUNICATIONS EQUIPMENT.] (a) Telecommunications machinery and equipment purchased or leased for use directly by a telecommunications service provider primarily in the provision of telecommunications services that are ultimately to be sold at retail are exempt, regardless of whether purchased by the owner, a contractor, or a subcontractor.

(b) For purposes of this subdivision, "telecommunications machinery and equipment" includes, but is not limited to:

(1) machinery, equipment, and fixtures utilized in receiving, initiating, amplifying, processing, transmitting, retransmitting, recording, switching, or monitoring telecommunications services, such as computers, transformers, amplifiers, routers, bridges, repeaters, multiplexers, and other items performing comparable functions;

(2) machinery, equipment, and fixtures used in the transportation of telecommunications services, radio transmitters and receivers, satellite equipment, microwave equipment, and other transporting media, but not wire, cable, fiber, poles, or conduit;

(3) ancillary machinery, equipment, and fixtures that regulate, control, protect, or enable the machinery in clauses (1) and (2) to accomplish its intended function, such as auxiliary power supply, test equipment, towers, heating, ventilating, and air conditioning equipment necessary to the operation of the telecommunications equipment; and software necessary to the operation of the telecommunications equipment; and

(4) repair and replacement parts, including accessories, whether purchased as spare parts, repair parts, or as upgrades or modifications to qualified machinery or equipment.

(c) For purposes of this subdivision, "telecommunications services" means telecommunications services as defined in section 297A.61, subdivision 24, ~~paragraph~~ paragraphs (a), ~~only (c), and (d).~~

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 22. Minnesota Statutes 2004, section 297A.68, subdivision 39, is amended to read:

Subd. 39. [PREEXISTING BIDS OR CONTRACTS.] (a) The sale of tangible personal property or services is exempt from tax or a tax rate increase for a period of six months from the effective date of the law change that results in the imposition of the tax or the tax rate increase under this chapter if:

(1) the act imposing the tax or increasing the tax rate does not have transitional effective date language for existing construction contracts and construction bids; and

(2) the requirements of paragraph (b) are met.

(b) A sale is tax exempt under paragraph (a) if it meets the requirements of either clause (1) or (2):

(1) For a construction contract:

(i) the goods or services sold must be used for the performance of a bona fide written lump sum or fixed price construction contract;

(ii) the contract must be entered into before the date the goods or services become subject to the sales tax or the tax rate was increased;

(iii) the contract must not provide for allocation of future taxes; and

(iv) for each qualifying contract the contractor must give the seller documentation of the contract on which an exemption is to be claimed.

(2) For a construction bid:

- (i) the goods or services sold must be used pursuant to an obligation of a bid or bids;
- (ii) the bid or bids must be submitted and accepted before the date the goods or services became subject to the sales tax or the tax rate was increased;
- (iii) the bid or bids must not be able to be withdrawn, modified, or changed without forfeiting a bond; and
- (iv) for each qualifying bid, the contractor must give the seller documentation of the bid on which an exemption is to be claimed.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 23. Minnesota Statutes 2004, section 297A.68, is amended by adding a subdivision to read:

Subd. 40. [LAND CLEARING.] Tree, bush, shrub, and stump removal are exempt when sold to contractors or subcontractors as part of a land clearing contract. For purposes of this subdivision, "land clearing contract" means a contract for the removal of trees, bushes, and shrubs, including the removal of roots and stumps, to develop a site. This exemption does not apply to land clearing of a portion of a site to allow for remodeling, improvement, or expansion of an existing structure.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after October 28, 2002, but for land clearing contracts entered into after October 28, 2002, no refunds may be claimed under Minnesota Statutes, section 289A.50, for sales taxes collected and remitted to the state on the land clearing contracts.

Sec. 24. Minnesota Statutes 2004, section 297A.68, is amended by adding a subdivision to read:

Subd. 41. [PERSONAL RAPID TRANSIT SYSTEM.] (a) Machinery, equipment, and supplies purchased or leased, and used by the purchaser or lessee in this state directly in the provision of a personal rapid transit system as defined in section 297A.61, subdivision 37, which provides service to the public on a regular and continuing basis, are exempt, provided that the system is operated independent of any government subsidies. Machinery, equipment, and supplies that qualify for this exemption include, but are not limited to, the following:

- (1) vehicles, guideways, and related parts used directly in the transit system;
- (2) computers and equipment used primarily for operating, controlling, and regulating the system;
- (3) machinery, equipment, furniture, and fixtures necessary for the functioning of system stations;
- (4) machinery, equipment, implements, tools, and supplies used to maintain vehicles, guideways, and stations; and
- (5) electricity and other fuels used in the provision of the transit service, including heating, cooling, and lighting of system stations.

(b) This exemption does not include machinery, equipment, and supplies used for nonproduction purposes such as operations support and administration.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after June 30, 2005.

Sec. 25. Minnesota Statutes 2004, section 297A.70, subdivision 10, is amended to read:

Subd. 10. [NONPROFIT TICKETS OR ADMISSIONS.] (a) Tickets or admissions to an event are exempt if all the gross receipts are recorded as such, in accordance with generally accepted accounting principles, on the books of one or more organizations whose primary mission is to provide an opportunity for citizens of the state to participate in the creation, performance, or appreciation of the arts, and provided that each organization is:

(1) an organization described in section 501(c)(3) of the Internal Revenue Code in which voluntary contributions make up at least the following percent of the organization's annual revenue in its most recently completed 12-month fiscal year, or in the current year if the organization has not completed a 12-month fiscal year:

(i) for sales made after July 31, 2001, and before July 1, 2002, for the organization's fiscal year completed in calendar year 2000, three percent;

(ii) for sales made on or after July 1, 2002, and on or before June 30, 2003, for the organization's fiscal year completed in calendar year 2001, three percent;

(iii) for sales made on or after July 1, 2003, and on or before June 30, 2004, for the organization's fiscal year completed in calendar year 2002, four percent; and

(iv) for sales made in each 12-month period, beginning on July 1, 2004, and each subsequent year, for the organization's fiscal year completed in the preceding calendar year, five percent;

(2) a municipal board that promotes cultural and arts activities; or

(3) the University of Minnesota, a state college and university, or a private nonprofit college or university provided that the event is held at a university-owned facility owned by the educational institution holding the event.

The exemption only applies if the entire proceeds, after reasonable expenses, are used solely to provide opportunities for citizens of the state to participate in the creation, performance, or appreciation of the arts.

(b) Tickets or admissions to the premises of the Minnesota Zoological Garden are exempt, provided that the exemption under this paragraph does not apply to tickets or admissions to performances or events held on the premises unless the performance or event is sponsored and conducted exclusively by the Minnesota Zoological Board or employees of the Minnesota Zoological Garden.

[EFFECTIVE DATE.] This section is effective for tickets and admissions to events held on or after July 1, 2005, but does not apply to events for which sales of tickets or admissions were made prior to July 1, 2005.

Sec. 26. Minnesota Statutes 2004, section 297A.71, subdivision 12, is amended to read:

Subd. 12. [CHAIR LIFTS, RAMPS, ELEVATORS.] ~~Chair lifts, ramps, and~~ Elevators and building materials used to install or construct ~~them~~ chair lifts, ramps, and elevators are exempt, if they are authorized by a physician and installed in or attached to the owner's homestead. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in the manner provided in section 297A.75.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after June 30, 2005.

Sec. 27. Minnesota Statutes 2004, section 297A.71, is amended by adding a subdivision to read:

Subd. 33. [PERSONAL RAPID TRANSIT SYSTEM.] Materials, equipment, and supplies used in the construction, expansion, or improvement of a personal rapid transit system as defined in section 297A.61, subdivision 37, which provides service to the public on a regular and continuing basis, are exempt, provided that the system is operated independent of any government subsidies.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after June 30, 2005.

Sec. 28. Minnesota Statutes 2004, section 297A.72, is amended by adding a subdivision to read:

Subd. 3. [EXEMPTION CERTIFICATE FOR SMALL BUSINESSES.] A small business, as defined in section 645.455, subdivision 2, paragraphs (a) to (c), that is located in the state may apply to the commissioner for an exemption certificate to purchase exempt capital equipment without paying the sales tax at the time of the sale. The business must provide information required by the commissioner to verify that it meets the definition of small business in the preceding calendar year, or in the case of a new business, that it will meet the definition in the first full year of operations. A decision by the commissioner on whether a business qualifies for this exemption is final. The exemption certificate must be in the form and meet the requirements imposed under this chapter and chapter 289A on other sales and use tax exemption certificates, but it shall only be in effect for two years from the date of issuance.

[EFFECTIVE DATE.] This section is effective for applications submitted to the commissioner of revenue after July 1, 2005.

Sec. 29. Minnesota Statutes 2004, section 297A.75, subdivision 1, is amended to read:

Subdivision 1. [TAX COLLECTED.] The tax on the gross receipts from the sale of the following exempt items must be imposed and collected as if the sale were taxable and the rate under section 297A.62, subdivision 1, applied. The exempt items include:

- (1) capital equipment exempt under section 297A.68, subdivision 5;
- (2) building materials for an agricultural processing facility exempt under section 297A.71, subdivision 13;
- (3) building materials for mineral production facilities exempt under section 297A.71, subdivision 14;
- (4) building materials for correctional facilities under section 297A.71, subdivision 3;
- (5) building materials used in a residence for disabled veterans exempt under section 297A.71, subdivision 11;
- (6) ~~chair lifts, ramps,~~ elevators; and ~~associated~~ building materials exempt under section 297A.71, subdivision 12;
- (7) building materials for the Long Lake Conservation Center exempt under section 297A.71, subdivision 17;
- (8) materials, supplies, fixtures, furnishings, and equipment for a county law enforcement and family service center under section 297A.71, subdivision 26; and
- (9) materials and supplies for qualified low-income housing under section 297A.71, subdivision 23.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after June 30, 2005.

Sec. 30. [297A.82] [MOTOR VEHICLE LEASES.]

Subdivision 1. [MOTOR VEHICLE LEASE PRICE; PAYMENT.] (a) In the case of a lease of a motor vehicle as provided in section 297A.61, subdivision 4, paragraph (k), clause (2), the tax is imposed on the total amount to be paid by the lessee under the lease agreement. The lessor shall collect the tax in full at the time the lease is executed or, if the tax is included in the lease and the lease is assigned, the tax is due from the original lessor at the time the lease is assigned. The total amount to be paid by the lessee under the lease agreement equals the agreed-upon value of the vehicle less manufacturer's rebates, the stated residual value of the leased vehicle, and the total value allowed for a vehicle owned by the lessee taken in trade by the lessor, plus the price of any taxable goods and services included in the lease and the rent charge as provided by Code of Federal Regulations, title 12, section 213.4, excluding any rent charge related to the capitalization of the tax.

(b) If the total amount paid by the lessee for use of the leased vehicle includes amounts that are not calculated at the time the lease is executed, the tax is imposed and must be collected by the lessor at the time the amounts are paid by the lessee. In the case of a lease which by its terms may be renewed, the sales tax is due and payable on the total amount to be paid during the initial term of the lease, and then for each subsequent renewal period on the total amount to be paid during the renewal period.

(c) If a lease is canceled or rescinded on or before 90 days of its execution or if a vehicle is returned to the manufacturer under section 325F.665, the lessor may file a claim for a refund of the total tax paid minus the amount of tax due for the period the vehicle is used by the lessee.

(d) If a lessee's obligation to make payments on a lease is canceled more than 90 days after its execution, a credit is allowed against sales tax or motor vehicles sales tax due on a subsequent lease or purchase of a motor vehicle if that lease or purchase is consummated within 30 days of the date the prior lease was canceled. The amount of the credit is equal to (1) the sales tax paid at the inception of the lease, multiplied by (2) the ratio of the number of full months remaining in the lease at the time of termination compared to the term of the lease used in calculating sales tax paid at the inception of the lease.

Subd. 2. [LEASE ORIGINATING IN ANOTHER STATE.] When the lease of a motor vehicle as defined in section 297A.61, subdivision 4, paragraph (k), clause (2), originates in another state, the sales tax under subdivision 1 shall be calculated by the lessor on the total amount that is due under the lease agreement after the vehicle is required to be registered in Minnesota. If the total amount to be paid by the lessee under the lease agreement has already been subjected to tax by another state, a credit for taxes paid in the other state is allowed as provided in section 297A.80.

[EFFECTIVE DATE.] Subdivision 1 of this section is effective for leases entered into after September 30, 2005. Subdivision 2 of this section is effective for vehicles registering in Minnesota after September 30, 2005.

Sec. 31. Minnesota Statutes 2004, section 297A.87, subdivision 2, is amended to read:

Subd. 2. [SELLER'S PERMIT OR ALTERNATE STATEMENT.] (a) The operator of an event under subdivision 1 shall obtain one of the following from a person who wishes to do business as a seller at the event:

(1) evidence that the person holds a valid seller's permit under section 297A.84; ~~or~~

(2) a written statement that the person is not offering for sale any item that is taxable under this chapter; ~~or~~

(3) a written statement that this is the only selling event that the person will be participating in for that calendar year, that the person will be participating for three or fewer days, and that the person will make less than \$500 in total sales at the event. The written statement shall include the person's name, address, and telephone number.

(b) The operator shall require the evidence or statement as a prerequisite to participating in the event as a seller.

[EFFECTIVE DATE.] This section is effective for selling events occurring after June 15, 2005.

Sec. 32. Minnesota Statutes 2004, section 297A.87, subdivision 3, is amended to read:

Subd. 3. **[OCCASIONAL SALE PROVISIONS ~~NOT~~ APPLICABLE UNDER LIMITED CIRCUMSTANCES.]** The isolated and occasional sale ~~provisions~~ provision under section 297A.67, subdivision 23, ~~or~~ applies, provided that the seller only participates for three or fewer days in one event per calendar year, makes \$500 or less in sales at the event, and provides the written statement required in subdivision 2, paragraph (a), clause (3). The isolated and occasional sales provision under section 297A.68, subdivision 25, ~~do~~ does not apply to a seller at an event under this section.

[EFFECTIVE DATE.] This section is effective for selling events occurring after June 15, 2005.

Sec. 33. [297A.981] [LOCAL SALES TAXES; CERTAIN CITIES OF THE FIRST CLASS.]

Subdivision 1. [GENERAL AUTHORITY; CERTAIN CITIES.] (a) Notwithstanding sections 297A.99 and 477A.016, or any other contrary provision of law, ordinance, or charter, a city of the first class located in the seven-county metropolitan area may impose a local sales tax of one-half of one percent on sale transactions taxable under this chapter that occur within the city. The tax base is the same as defined in section 297A.99, subdivision 4. This tax is in addition to any other local sales tax imposed under other general or special law and must not be included when calculating sales tax limits imposed under other law, ordinance, or charter.

Subd. 2. [USE TAX.] If the city imposes the tax authorized in subdivision 1, a compensating use tax also applies, at the same rate as the sales tax, on the use, storage, distribution, or consumption of tangible personal property or taxable services.

Subd. 3. [USE OF REVENUES.] (a) Revenues received from taxes imposed under subdivisions 1 and 2, minus the reasonable costs of collection, may be used by the city for any purpose for which the city is authorized to make expenditures.

Subd. 4. [COLLECTION; ENFORCEMENT; ADMINISTRATION.] A tax imposed under this section shall be administered, collected, and enforced by the commissioner of revenue as provided for under section 297A.99, subdivision 9. The commissioner shall remit the proceeds, minus refunds and the costs of collection, as provided for in section 297A.99, subdivision 11.

Subd. 5. [LOCAL APPROVAL.] The question of imposing the local sales tax must be submitted to the voters at a general or a special election held for this purpose. If the majority of the votes cast on the question are in the affirmative, the tax shall be imposed on the first day of the next calendar quarter beginning at least 30 days after the day of local approval.

[EFFECTIVE DATE.] This section is effective July 1, 2005.

Sec. 34. Minnesota Statutes 2004, section 297A.99, subdivision 1, is amended to read:

Subdivision 1. [AUTHORIZATION; SCOPE.] (a) A political subdivision of this state may impose a general sales tax if permitted by special law or if the political subdivision enacted and imposed the tax before the effective date of section 477A.016 and its predecessor provision, or if the tax is allowed under section 297A.981.

(b) This section governs the imposition of a general sales tax by the political subdivision. The provisions of this section preempt the provisions of any special law:

(1) enacted before June 2, 1997, or

(2) enacted on or after June 2, 1997, that does not explicitly exempt the special law provision from this section's rules by reference.

(c) This section does not apply to or preempt a sales tax on motor vehicles or a special excise tax on motor vehicles.

[EFFECTIVE DATE.] This section is effective for local sales taxes for which the authorizing referendum is held after June 30, 2005.

Sec. 35. Minnesota Statutes 2004, section 297A.99, subdivision 4, is amended to read:

Subd. 4. [TAX BASE.] (a) The tax applies to sales taxable under this chapter that occur within the political subdivision.

(b) Taxable goods or services are subject to a political subdivision's sales tax, if they are ~~performed either:~~

~~(1) within the political subdivision, or~~

~~(2) partly within and partly without the political subdivision and more of the service is performed within the political subdivision, based on the cost of performance sourced to the political subdivision pursuant to section 297A.668.~~

[EFFECTIVE DATE.] This section is effective for sales made on or after January 1, 2004.

Sec. 36. Minnesota Statutes 2004, section 297A.99, subdivision 9, is amended to read:

Subd. 9. [ENFORCEMENT; COLLECTION; AND ADMINISTRATION.] (a) The commissioner of revenue shall collect the taxes subject to this section. The commissioner may collect the tax with the state sales and use tax. All taxes under this section are subject to the same penalties, interest, and enforcement provisions as apply to the state sales and use tax.

(b) A request for a refund of state sales tax paid in excess of the amount of tax legally due includes a request for a refund of the political subdivision taxes paid on the goods or services. The commissioner shall refund to the taxpayer the full amount of the political subdivision taxes paid on exempt sales or use.

(c) A political subdivision shall incur a legal debt to the state for refunds of local sales taxes made by the commissioner after a tax has terminated when the amount of the refunds exceeds the amount of local sales taxes collected for but not remitted to the political subdivision. The commissioner of revenue shall deduct the amount of the debt from the next payment scheduled to be made to the political subdivision under section 273.1384, 273.1398, or sections 477A.011 to 477A.014. The commissioner shall deposit the money in the state treasury and credit it to the general fund.

[EFFECTIVE DATE.] This section is effective for all refunds made on or after the day following final enactment.

Sec. 37. Minnesota Statutes 2004, section 297A.99, is amended by adding a subdivision to read:

Subd. 12a. [NOTIFICATION OF USE TAX.] Any city or county imposing a local sales and use tax, which maintains an official web site, must display on its main home page a notice that residents and businesses in the city or county may owe a local use tax on purchases of goods and services made outside of the city or county limits. The notice must provide information, including a link to any relevant Department of Revenue Web site, on how the taxpayer may get information and forms necessary for calculating and paying the tax. If the city or county provides and bills for sewer, water, garbage collection, or other public utility services, the billing statement must also include a notice that residents and businesses may owe a local use tax on purchases made outside of the city or county limits and provide information on how the taxpayer may get information and forms necessary for calculating and paying the tax.

[EFFECTIVE DATE.] This section is effective January 1, 2006.

Sec. 38. Minnesota Statutes 2004, section 477A.016, is amended to read:

477A.016 [NEW TAXES PROHIBITED.]

No county, city, town or other taxing authority shall increase a present tax or impose a new tax on sales or income, except as provided in section 297A.981.

[EFFECTIVE DATE.] This section is effective July 1, 2005.

Sec. 39. Laws 1998, chapter 389, article 8, section 43, subdivision 3, is amended to read:

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 other~~ 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.

[EFFECTIVE DATE; LOCAL APPROVAL.] This section is effective the day after the governing body of Rochester and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 40. Laws 2001, First Special Session chapter 5, article 12, section 95, as amended by Laws 2002, chapter 377, article 3, section 24, and Laws 2003, First Special Session chapter 21, article 8, section 15, is amended to read:

Sec. 95. [REPEALER.]

(a) Minnesota Statutes 2000, sections 297A.61, subdivision 16; 297A.68, subdivision 21; and 297A.71, subdivision 2, are repealed effective for sales and purchases occurring after June 30, 2001, except that the repeal of section 297A.61, subdivision 16, paragraph (d), is effective for sales and purchases occurring after July 31, 2001.

(b) Minnesota Statutes 2000, ~~sections~~ section 297A.62, subdivision 2, ~~and 297A.64, subdivision 1, are~~ is repealed effective for sales and purchases made after December 31, 2005.

(c) Minnesota Statutes 2000, section 297A.71, subdivision 15, is repealed effective for sales and purchases made after June 30, 2002.

(d) Minnesota Statutes 2000, section 297A.71, subdivision 16, is repealed effective for sales and purchases occurring after December 31, 2002.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 41. Laws 2002, chapter 377, article 3, section 4, the effective date, is amended to read:

[EFFECTIVE DATE.] ~~With the exception of clause (2), item (ii), This section is effective for sales and purchases made after June 30, 2002. Clause (2), item (ii), is effective for sales and purchases made after June 30, 2002, and before January 1, 2006.~~

Sec. 42. [REPEALER.]

Minnesota Rules, parts 8130.0110, subpart 4; 8130.0200, subparts 5 and 6; 8130.0400, subpart 9; 8130.1200, subparts 5 and 6; 8130.2900; 8130.3100, subpart 1; 8130.4000, subparts 1 and 2; 8130.4200, subpart 1; 8130.4400, subpart 3; 8130.5200; 8130.5600, subpart 3; 8130.5800, subpart 5; 8130.7300, subpart 5; and 8130.8800, subpart 4, are repealed.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

ARTICLE 8

SPECIAL TAXES AND FEES

Section 1. Minnesota Statutes 2004, section 240.30, is amended by adding a subdivision to read:

Subd. 11. [FRANCHISE FEE.] As a condition of operating a card club under this section, the licensee must pay a fee to the commission equal to 15 percent of the gross revenues, less any refunds, for charges imposed under subdivision 4. Payment, collection, and administration of the fee must be made in the same manner and under the terms provided under section 240.15 for the tax on pari-mutuel pools. The commission shall deposit all of the revenues from the fee in the state treasury and amounts deposited must be credited to the general fund. The amount of the fee under this subdivision does not reduce the obligation to set aside revenues from the card club under section 240.135.

[EFFECTIVE DATE.] This section is effective for charges and revenues received after June 30, 2005.

Sec. 2. Minnesota Statutes 2004, section 287.04, is amended to read:

287.04 [EXEMPTIONS.]

The tax imposed by section 287.035 does not apply to:

- (a) A decree of marriage dissolution or an instrument made pursuant to it.
- (b) A mortgage given to correct a misdescription of the mortgaged property.
- (c) A mortgage or other instrument that adds additional security for the same debt for which mortgage registry tax has been paid.
- (d) A contract for the conveyance of any interest in real property, including a contract for deed.
- (e) A mortgage secured by real property subject to the minerals production tax of sections 298.24 to 298.28.
- (f) The principal amount of a mortgage loan made under a low and moderate income or other affordable housing program, if the mortgagee is a federal, state, or local government agency.
- (g) Mortgages granted by fraternal benefit societies subject to section 64B.24.
- (h) A mortgage amendment or extension, as defined in section 287.01.
- (i) An agricultural mortgage if the proceeds of the loan secured by the mortgage are used to acquire or improve real property classified under section 273.13, subdivision 23, paragraph (a), or (b), clause (1), (2), or (3).
- (j) A mortgage on an armory building as set forth in section 193.147.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2004, 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 distributor that is subject to 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.

(c) A tax imposed under this subdivision does not apply to purchases by an individual for personal use or consumption.

[EFFECTIVE DATE.] This section is effective for purchases made after June 30, 2005.

Sec. 4. Minnesota Statutes 2004, section 295.53, subdivision 1, is amended to read:

Subdivision 1. [EXEMPTIONS.] (a) The following payments are excluded from the gross revenues subject to the hospital, surgical center, or health care provider taxes under sections 295.50 to 295.59:

(1) payments received for services provided under the Medicare program, including payments received from the government, and organizations governed by sections 1833 and 1876 of title XVIII of the federal Social Security Act, United States Code, title 42, section 1395, and enrollee deductibles, coinsurance, and co-payments, whether paid by the Medicare enrollee or by a Medicare supplemental coverage as defined in section 62A.011, subdivision 3, clause (10), or by Medicaid payments under title XIX of the federal Social Security Act. Payments for services not covered by Medicare are taxable;

(2) payments received for home health care services;

(3) payments received from hospitals or surgical centers for goods and services on which liability for tax is imposed under section 295.52 or the source of funds for the payment is exempt under clause (1), (7), (10), or (14);

(4) payments received from health care providers for goods and services on which liability for tax is imposed under this chapter or the source of funds for the payment is exempt under clause (1), (7), (10), or (14);

(5) amounts paid for legend drugs, other than nutritional products, to a wholesale drug distributor who is subject to tax under section 295.52, subdivision 3, reduced by reimbursements received for legend drugs otherwise exempt under this chapter;

(6) payments received by a health care provider or the wholly owned subsidiary of a health care provider for care provided outside Minnesota;

(7) payments received from the chemical dependency fund under chapter 254B;

(8) payments received in the nature of charitable donations that are not designated for providing patient services to a specific individual or group;

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

(10) payments received from any governmental agency for services benefiting the public, not including payments made by the government in its capacity as an employer or insurer or payments made by the government for services provided under general assistance medical care, the MinnesotaCare program, or the medical assistance program governed by title XIX of the federal Social Security Act, United States Code, title 42, sections 1396 to 1396v;

(11) government payments received by the commissioner of human services for state-operated services;

(12) payments received by a health care provider for hearing aids and related equipment or prescription eyewear delivered outside of Minnesota;

(13) payments received by an educational institution from student tuition, student activity fees, health care service fees, government appropriations, donations, or grants, and for services identified in and provided under an individualized education plan as defined in section 256B.0625 or Code of Federal Regulations, chapter 34, section 300.340(a). Fee for service payments and payments for extended coverage are taxable; ~~and~~

(14) payments received under the federal Employees Health Benefits Act, United States Code, title 5, section 8909(f), as amended by the Omnibus Reconciliation Act of 1990. Enrollee deductibles, coinsurance, and co-payments are subject to tax; and

(15) payments received under the federal Tricare program, Code of Federal Regulations, title 32, section 199.17(a)(7). Enrollee deductibles, coinsurance, and co-payments are subject to tax.

(b) Payments received by wholesale drug distributors for legend drugs sold directly to veterinarians or veterinary bulk purchasing organizations are excluded from the gross revenues subject to the wholesale drug distributor tax under sections 295.50 to 295.59.

[EFFECTIVE DATE.] The change made to paragraph (a), clause (14), of this section is effective for enrollee deductibles, coinsurance, and co-payments received under the federal Employees Health Benefits Act on or after the day following final enactment. Paragraph (a), clause (15), is effective for gross revenues received under the federal Tricare program after December 31, 2004.

Sec. 5. Minnesota Statutes 2004, section 295.582, is amended to read:

295.582 [AUTHORITY.]

Subdivision 1. [TRANSFER TO THIRD-PARTY PURCHASERS.] (a) A hospital, surgical center, or health care provider that is subject to a tax under section 295.52, or a pharmacy that has paid additional expense transferred under this section by a wholesale drug distributor, may transfer additional expense generated by section 295.52 obligations on to all third-party contracts for the purchase of health care services on behalf of a patient or consumer. The additional expense transferred to the third-party purchaser must not exceed the tax percentage specified in section 295.52 multiplied against the gross revenues received under the third-party contract, and the tax percentage specified in section 295.52 multiplied against co-payments and deductibles paid by the individual patient or consumer. A health care provider who chooses to transfer the tax specified in section 295.52 may itemize the tax on patient billings. The expense must not be generated on revenues derived from payments that are excluded from the tax under section 295.53. All third-party purchasers of health care services including, but not limited to, third-party purchasers regulated under chapter 60A, 62A, 62C, 62D, 62H, 62N, 64B, 65A, 65B, 79, or 79A, or under section 471.61 or 471.617, and a pharmacy benefits manager must pay the transferred expense in addition to any payments due under existing contracts with the hospital, surgical center, pharmacy, or health care provider, to the extent allowed under federal law. A third-party purchaser of health care services includes, but is not limited to, a health carrier or community integrated service network that pays for health care services on behalf of patients or that reimburses, indemnifies, compensates, or otherwise insures patients for health care services and for purposes of this section, a pharmacy benefits manager means an entity that performs pharmacy benefits management. A third-party purchaser shall comply with this section regardless of whether the third-party purchaser is a for-profit, not-for-profit, or nonprofit entity or whether the health care provider has chosen to itemize the tax on patient billings. If the third-party purchaser's contract limits provider payment to a specified amount, such as an usual and customary fee schedule, the third-party purchaser must still pay the tax transferred or itemized by a health care provider based upon the contractual fee. A third-party purchaser is also responsible for reimbursing providers for the percentage tax levied on co-payments or deductibles paid by the insured. A wholesale drug distributor may transfer additional expense generated by section 295.52 obligations to entities that purchase from the wholesaler, and the entities must pay the additional expense. Nothing in this section limits the ability of a hospital, surgical center, pharmacy, wholesale drug distributor, or health care provider to recover all or part of the section 295.52 obligation by other methods, including increasing fees or charges. Nothing in this section prohibits a pharmacy from passing on additional fees or charges to a pharmacy benefits manager.

(b) Each third-party purchaser regulated under any chapter cited in paragraph (a) shall include with its annual renewal for certification of authority or licensure documentation indicating compliance with paragraph (a). The documentation must include information relating to a third-party purchaser's means for compliance with paragraph (a) for health care providers who itemize the tax on patient billings.

(c) Any hospital, surgical center, or health care provider subject to a tax under section 295.52 or a pharmacy that has paid additional expense transferred under this section by a wholesale drug distributor may file a complaint with the commissioner responsible for regulating the third-party purchaser if at any time the third-party purchaser fails to comply with paragraph (a).

(d) If the commissioner responsible for regulating the third-party purchaser finds at any time that the third-party purchaser has not complied with paragraph (a), the commissioner may take enforcement action against a third-party purchaser which is subject to the commissioner's regulatory jurisdiction and which does not allow a hospital, surgical center, pharmacy, or provider to pass-through the tax. The commissioner may by order fine or censure the third-party purchaser or revoke or suspend the certificate of authority or license of the third-party purchaser to do business in this state if the commissioner finds that the third-party purchaser has not complied with this section. The third-party purchaser may appeal the commissioner's order through a contested case hearing in accordance with chapter 14.

Subd. 2. [WHOLESALE DRUG DISTRIBUTOR TAX; AGREEMENT.] A contracting agreement between a health plan company or a pharmacy benefits manager and a resident or nonresident pharmacy registered under chapter 151, may not prohibit:

(1) a pharmacy that has paid additional expense transferred under this section by a wholesale drug distributor from exercising its option under this section to transfer such additional expenses generated by the section 295.52 obligations on to the health plan company, a pharmacy benefits manager, or a third-party purchaser; or

(2) a pharmacy that is subject to tax under section 295.52, subdivision 4, from exercising its option under this section to recover all or part of the section 295.52 obligations from the health plan company, a pharmacy benefits manager, or a third-party purchaser by other methods, including increasing fees or charges.

Sec. 6. Minnesota Statutes 2004, section 295.60, subdivision 3, is amended to read:

Subd. 3. [PAYMENT.] (a) Each furrier shall make estimated payments of the taxes for the calendar year in quarterly installments to the commissioner by April 15, July 15, October 15, and January 15 of the following calendar year.

(b) Estimated tax payments are not required if:

(1) the tax for the current calendar year is less than \$500; or

(2) the tax for the previous calendar year is less than \$500, if the taxpayer had a tax liability and was doing business the entire year.

(c) Underpayment of estimated installments bear interest at the rate specified in section 270.75, from the due date of the payment until paid or until the due date of the annual return, whichever comes first. An underpayment of an estimated installment is the difference between the amount paid and the lesser of (1) ~~90 percent of one-quarter of the tax for the calendar year~~ the tax for the actual gross revenues received during the quarter, or (2) one-quarter of the total tax for the previous calendar year if the taxpayer had a tax liability and was doing business the entire year.

[EFFECTIVE DATE.] This section is effective for gross revenues received after December 31, 2004.

Sec. 7. [295.75] [LIQUOR GROSS RECEIPTS TAX.]

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

(b) "Commissioner" means the commissioner of revenue.

(c) "Gross receipts" means the total amount received, in money or by barter or exchange, for all liquor sales at retail as measured by the sales price, but does not include any taxes imposed directly on the consumer that are separately stated on the invoice, bill of sale, or similar document given to the purchaser.

(d) "Liquor" means:

(1) intoxicating liquor, as defined in section 340A.101, subdivision 14;

(2) beverage containing intoxicating liquor; and

(3) 3.2 percent malt liquor, as defined in section 340A.101, subdivision 19, when sold at an on-sale or off-sale municipal liquor store or other establishment licensed to sell any type of intoxicating liquor.

(e) "Liquor retailer" means a retailer that sells liquor.

(f) "Retail sale" has the meaning given in section 297A.61, subdivision 4.

Subd. 2. [GROSS RECEIPTS TAX IMPOSED.] A tax is imposed on each liquor retailer equal to 2.5 percent of gross receipts from retail sales in Minnesota of liquor.

Subd. 3. [USE TAX IMPOSED; CREDIT FOR TAXES PAID.] (a) A person that receives liquor for use or storage in Minnesota, other than from a liquor retailer that paid the tax under subdivision 2, is subject to tax at the rate imposed under subdivision 2. Liability for the tax is incurred when the person has possession of the liquor in Minnesota. The tax must be remitted to the commissioner in the same manner prescribed for the taxes imposed under chapter 297A.

(b) A person that has paid taxes to another jurisdiction on the same transaction and is subject to tax under this section is entitled to a credit for the tax legally due and paid to another jurisdiction to the extent of the lesser of (1) the tax actually paid to the other jurisdiction, or (2) the amount of tax imposed by Minnesota on the transaction subject to tax in the other jurisdiction.

Subd. 4. [TAX COLLECTION REQUIRED.] A liquor retailer with nexus in Minnesota, who is not subject to tax under subdivision 2, is required to collect the tax imposed under subdivision 3 from the purchaser of the liquor and give the purchaser a receipt for the tax paid. The tax collected must be remitted to the commissioner in the same manner prescribed for the taxes imposed under chapter 297A.

Subd. 5. [TAXES PAID TO ANOTHER JURISDICTION; CREDIT.] A liquor retailer that has paid taxes to another jurisdiction measured by gross receipts and is subject to tax under this section on the same gross receipts is entitled to a credit for the tax legally due and paid to another jurisdiction to the extent of the lesser of (1) the tax actually paid to the other jurisdiction, or (2) the amount of tax imposed by Minnesota on the gross receipts subject to tax in the other taxing jurisdictions.

Subd. 6. [EXEMPTIONS.] All of the exemptions applicable to the taxes imposed under chapter 297A are applicable to the taxes imposed under this section.

Subd. 7. [SOURCING OF SALES.] All of the provisions of section 297A.668 apply to the taxes imposed by this section.

Subd. 8. [PAYMENT; REPORTING.] A liquor retailer shall report the tax on a return prescribed by the commissioner of revenue, and shall remit the tax with the return. The return and the tax must be filed and paid using the filing cycle and due dates provided for taxes imposed under chapter 297A.

Subd. 9. [ADMINISTRATION.] Unless specifically provided otherwise by this section, the audit, assessment, refund, penalty, interest, enforcement, collection remedies, appeal, and administrative provisions of chapters 270 and 289A that are applicable to taxes imposed under chapter 297A apply to taxes imposed under this section.

Subd. 10. [INTEREST ON OVERPAYMENTS.] Interest must be paid on an overpayment refunded or credited to the taxpayer from the date of payment of the tax until the date the refund is paid or credited. For purposes of this subdivision, the date of payment is the due date of the return or the date of actual payment of the tax, whichever is later.

Subd. 11. [DEPOSIT OF REVENUES.] The commissioner shall deposit all revenues, including penalties and interest, derived from the tax imposed by this section in the general fund.

[EFFECTIVE DATE.] This section is effective for sales and purchases occurring on or after January 1, 2006.

Sec. 8. Minnesota Statutes 2004, section 296A.22, is amended by adding a subdivision to read:

Subd. 9. [ABATEMENT OF PENALTY.] (a) The commissioner may by written order abate any penalty imposed under this section, if in the commissioner's opinion there is reasonable cause to do so.

(b) A request for abatement of penalty must be filed with the commissioner within 60 days of the date the notice stating that a penalty has been imposed was mailed to the taxpayer's last known address.

(c) If the commissioner issues an order denying a request for abatement of penalty, the taxpayer may file an administrative appeal as provided in section 296A.25 or appeal to Tax Court as provided in section 271.06. If the commissioner does not issue an order on the abatement request within 60 days from the date the request is received, the taxpayer may appeal to Tax Court as provided in section 271.06.

[EFFECTIVE DATE.] This section is effective for penalties imposed on or after the day following final enactment.

Sec. 9. Minnesota Statutes 2004, section 297E.01, subdivision 5, is amended to read:

Subd. 5. [DISTRIBUTOR.] "Distributor" means a distributor as defined in section 349.12, subdivision 11, or a person or linked bingo game provider who markets, sells, or provides gambling product to a person or entity for resale or use at the retail level.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 10. Minnesota Statutes 2004, section 297E.01, subdivision 7, is amended to read:

Subd. 7. [GAMBLING PRODUCT.] "Gambling product" means bingo hard cards, bingo paper, ~~or~~ sheets, or linked bingo paper sheets; pull-tabs; tipboards; paddletickets and paddleticket cards; raffle tickets; or any other ticket, card, board, placard, device, or token that represents a chance, for which consideration is paid, to win a prize.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 11. Minnesota Statutes 2004, section 297E.01, is amended by adding a subdivision to read:

Subd. 9a. [LINKED BINGO GAME.] "Linked bingo game" means a bingo game played at two or more locations where licensed organizations are authorized to conduct bingo, when there is a common prize pool and a common selection of numbers or symbols conducted at one location, and when the results of the selection are transmitted to all participating locations by satellite, telephone, or other means by a linked bingo game provider.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 12. Minnesota Statutes 2004, section 297E.01, is amended by adding a subdivision to read:

Subd. 9b. [LINKED BINGO GAME PROVIDER.] "Linked bingo game provider" means any person who provides the means to link bingo prizes in a linked bingo game, who provides linked bingo paper sheets to the participating organizations, who provides linked bingo prize management, and who provides the linked bingo game system.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 13. Minnesota Statutes 2004, section 297E.06, subdivision 2, is amended to read:

Subd. 2. [BUSINESS RECORDS.] An organization shall maintain records supporting the gambling activity reported to the commissioner. Records include, but are not limited to, the following items:

- (1) all winning and unsold tickets, cards, or stubs for pull-tab, tipboard, paddlewheel, and raffle games;
- (2) all reports and statements, including checker's records, for each bingo occasion;
- (3) all cash journals and ledgers, deposit slips, register tapes, and bank statements supporting gambling activity receipts;
- (4) all invoices that represent purchases of gambling product;
- (5) all canceled checks or copies of substitute checks as defined in Public Law 108-100, section 3, check recorders, journals and ledgers, vouchers, invoices, bank statements, and other documents supporting gambling activity expenditures; and
- (6) all organizational meeting minutes.

All records required to be kept by this section must be preserved by the organization for at least 3-1/2 years and may be inspected by the commissioner of revenue at any reasonable time without notice or a search warrant.

[EFFECTIVE DATE.] This section is effective July 1, 2005.

Sec. 14. Minnesota Statutes 2004, section 297E.07, is amended to read:

297E.07 [INSPECTION RIGHTS.]

At any reasonable time, without notice and without a search warrant, the commissioner may enter a place of business of a manufacturer, distributor, ~~or~~ organization, or linked bingo game provider; any site from which pull-tabs or tipboards or other gambling equipment or gambling product are being manufactured, stored, or sold; or any site at which lawful gambling is being conducted, and inspect the premises, books, records, and other documents

required to be kept under this chapter to determine whether or not this chapter is being fully complied with. If the commissioner is denied free access to or is hindered or interfered with in making an inspection of the place of business, books, or records, the permit of the distributor may be revoked by the commissioner, and the license of the manufacturer, the distributor, ~~or~~ the organization, or linked bingo game provider may be revoked by the board.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 15. Minnesota Statutes 2004, section 297F.08, subdivision 12, is amended to read:

Subd. 12. [CIGARETTES IN INTERSTATE COMMERCE.] (a) A person may not transport or cause to be transported from this state cigarettes for sale in another state without first affixing to the cigarettes the stamp required by the state in which the cigarettes are to be sold or paying any other excise tax on the cigarettes imposed by the state in which the cigarettes are to be sold.

(b) A person may not affix to cigarettes the stamp required by another state or pay any other excise tax on the cigarettes imposed by another state if the other state prohibits stamps from being affixed to the cigarettes, prohibits the payment of any other excise tax on the cigarettes, or prohibits the sale of the cigarettes.

(c) Not later than 15 days after the end of each calendar quarter, a person who transports or causes to be transported from this state cigarettes for sale in another state shall submit to the commissioner a report identifying the quantity and style of each brand of the cigarettes transported or caused to be transported in the preceding calendar quarter, and the name and address of each recipient of the cigarettes. This reporting requirement only applies to cigarettes manufactured by companies that are not original or subsequent participating manufacturers in the Master Settlement Agreement with other states.

(d) For purposes of this section, "person" has the meaning given in section 297F.01, subdivision 12. Person does not include any common or contract carrier, or public warehouse that is not owned, in whole or in part, directly or indirectly by such person, and does not include a manufacturer that ~~has entered into~~ is an original or subsequent participating manufacturer in the Master Settlement Agreement with other states.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 16. Minnesota Statutes 2004, section 297F.08, is amended by adding a subdivision to read:

Subd. 13. [BOND.] The commissioner may require the furnishing of a corporate surety bond or a certified check in an amount suitable to guarantee payment of the tax stamps purchased by a distributor. The bond or certified check may be required when the commissioner determines that a distributor is (1) delinquent in the filing of any return required under this chapter, or (2) delinquent in the payment of any uncontested tax liability under this chapter. The distributor shall furnish the bond or certified check for a period of two years, after which, if the distributor has not been delinquent in the filing of any returns required under this chapter, or delinquent in the paying of any tax under this chapter, a bond or certified check is no longer required. The commissioner at any time may apply the bond or certified check to any unpaid taxes or fees, including interest and penalties, owed to the department by the distributor.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 17. Minnesota Statutes 2004, section 297F.09, subdivision 1, is amended to read:

Subdivision 1. [MONTHLY RETURN; CIGARETTE DISTRIBUTOR.] On or before the 18th day of each calendar month, a distributor with a place of business in this state shall file a return with the commissioner showing the quantity of cigarettes manufactured or brought in from outside the state or purchased during the preceding

calendar month and the quantity of cigarettes sold or otherwise disposed of in this state and outside this state during that month. A licensed distributor outside this state shall in like manner file a return showing the quantity of cigarettes shipped or transported into this state during the preceding calendar month. Returns must be made in the form and manner prescribed by the commissioner and must contain any other information required by the commissioner. The return must be accompanied by a remittance for the full unpaid tax liability shown by it. ~~The return for the May liability and 85 percent of the estimated June liability is due on the date payment of the tax is due. For distributors subject to the accelerated tax payment requirements in subdivision 10, the return for the May liability is due two business days before June 30th of the year and the return for the June liability is due on or before August 18th of the year.~~

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 18. Minnesota Statutes 2004, section 297F.09, subdivision 2, is amended to read:

Subd. 2. [MONTHLY RETURN; TOBACCO PRODUCTS DISTRIBUTOR.] On or before the 18th day of each calendar month, a distributor with a place of business in this state shall file a return with the commissioner showing the quantity and wholesale sales price of each tobacco product:

(1) brought, or caused to be brought, into this state for sale; and

(2) made, manufactured, or fabricated in this state for sale in this state, during the preceding calendar month.

Every licensed distributor outside this state shall in like manner file a return showing the quantity and wholesale sales price of each tobacco product shipped or transported to retailers in this state to be sold by those retailers, during the preceding calendar month. Returns must be made in the form and manner prescribed by the commissioner and must contain any other information required by the commissioner. The return must be accompanied by a remittance for the full tax liability shown. ~~The return for the May liability and 85 percent of the estimated June liability is due on the date payment of the tax is due. For distributors subject to the accelerated tax payment requirements in subdivision 10, the return for the May liability is due two business days before June 30th of the year and the return for the June liability is due on or before August 18th of the year.~~

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 19. Minnesota Statutes 2004, section 297F.14, subdivision 4, is amended to read:

Subd. 4. [BAD DEBT.] ~~The commissioner may adopt rules providing a refund of the tax paid under this chapter if the tax paid qualifies as a bad debt under section 166(a) of the Internal Revenue Code. For any reporting period, a taxpayer may offset against taxes payable under this chapter the amount of taxes previously paid under this chapter that is attributable to a bad debt. The taxes must have been included in a transaction the consideration for which was a debt owed to the taxpayer and which became uncollectible, but only in proportion to the portion of debt that became uncollectible. To qualify for offset under this subdivision, the debt must have qualified as a bad debt under section 166(a) of the Internal Revenue Code. The taxpayer may claim the offset within the time period prescribed in section 297F.17, subdivision 6. If the taxpayer is no longer liable for taxes imposed under this chapter, the commissioner shall refund to the taxpayer the amount of the taxes attributable to the bad debt. Any recovery of the tax claimed as a refund or credit must be reported to the commissioner on the tax return for the month in which the recovery is made. If the taxpayer is no longer required to file returns under this chapter, the taxpayer must reimburse the commissioner for tax recovered in the month following the recovery.~~

[EFFECTIVE DATE.] This section is effective for claims filed on or after July 1, 2005.

Sec. 20. [297F.25] [CIGARETTE SALES TAX.]

Subdivision 1. [IMPOSITION.] A tax is imposed on distributors on the sale of cigarettes by a cigarette distributor to a retailer or cigarette subjobber for resale in this state. The tax is equal to 6.5 percent of the weighted average retail price. The weighted average retail price must be expressed in cents per pack when rounded to the nearest one-tenth of a cent. The weighted average retail price must be determined annually, with new rates published by May 1, and effective for sales on or after August 1. The weighted average retail price must be established by surveying cigarette retailers statewide in a manner and time determined by the commissioner. The determination of the commissioner pursuant to this subdivision is not a "rule" and is not subject to the Administrative Procedure Act contained in chapter 14. As of August 1, 2005, the tax is 20 cents per pack of 20 cigarettes. For packs of cigarettes with other than 20 cigarettes, the tax must be adjusted proportionally.

Subd. 2. [PAYMENT.] Each taxpayer must remit payments of the taxes to the commissioner on the same dates prescribed under section 297F.09, subdivision 1, for cigarette tax returns, including the accelerated remittance of the June liability.

Subd. 3. [RETURN.] A taxpayer must file a return with the commissioner on the same dates prescribed under section 297F.09, subdivision 1, for cigarette tax returns. Notwithstanding any other provisions of this chapter, the tax due on the return is based upon actual stamps purchased during the reporting period.

Subd. 4. [FORM OF RETURN.] The return must contain the information and be in the form prescribed by the commissioner.

Subd. 5. [TAX AS DEBT.] The tax that is required to be paid by the distributor is a debt from the retailer or cigarette subjobber to the distributor recoverable at law in the same manner as other debts. A cigarette retailer or subjobber must pay the tax imposed under subdivision 1 to the distributor before the 12th day of the month following the month in which the cigarettes were purchased from the distributor.

Subd. 6. [SALES TAX STAMP.] Payment of the tax imposed under section 297F.05 and by this section must be evidenced by a dual-purpose single stamp affixed to each package.

Subd. 7. [ADMINISTRATION.] The stamping, audit, assessment, interest, penalty, appeal, refund, and collection provisions applicable to the taxes imposed under this chapter apply to taxes imposed under this section.

Subd. 8. [DEPOSIT OF REVENUES.] Notwithstanding the provisions of section 297F.10, the commissioner shall deposit all revenues, including penalties and interest, derived from the tax imposed by this section, in the general fund.

[EFFECTIVE DATE.] This section is effective for all sales made on or after August 1, 2005.

Sec. 21. Minnesota Statutes 2004, section 297G.09, is amended by adding a subdivision to read:

Subd. 9. [QUARTERLY AND ANNUAL PAYMENTS AND RETURNS.] (a) If a manufacturer, wholesaler, brewer, or importer has an average liquor tax liability equal to or less than \$500 per month in any quarter of a calendar year, and has substantially complied with the state tax laws during the preceding four calendar quarters, the manufacturer, wholesaler, brewer, or importer may request authorization to file and pay the taxes quarterly in subsequent calendar quarters. The authorization remains in effect during the period in which the manufacturer's, wholesaler's, brewer's, or importer's quarterly returns reflect liquor tax liabilities of less than \$1,500 and there is continued compliance with state tax laws.

(b) If a manufacturer, wholesaler, brewer, or importer has an average liquor tax liability equal to or less than \$100 per month during a calendar year, and has substantially complied with the state tax laws during that period, the manufacturer, wholesaler, brewer, or importer may request authorization to file and pay the taxes annually in subsequent years. The authorization remains in effect during the period in which the manufacturer's, wholesaler's, brewer's, or importer's annual returns reflect liquor tax liabilities of less than \$1,200 and there is continued compliance with state tax laws.

(c) The commissioner may also grant quarterly or annual filing and payment authorizations to manufacturers, wholesalers, brewers, or importers if the commissioner concludes that the manufacturer's, wholesaler's, brewer's, or importer's future tax liabilities will be less than the monthly totals identified in paragraphs (a) and (b). An authorization granted under this paragraph is subject to the same conditions as an authorization granted under paragraphs (a) and (b).

(d) The annual tax return and payments must be filed and paid on or before the 18th day of January following the calendar year. The quarterly returns and payments must be filed and paid on or before April 18 for the quarter ending March 31, on or before July 18 for the quarter ending June 30, on or before October 18 for the quarter ending September 30, and on or before January 18 for the quarter ending December 31.

[EFFECTIVE DATE.] This section is effective for tax returns and payments due on or after January 1, 2006.

Sec. 22. Minnesota Statutes 2004, section 297I.01, is amended by adding a subdivision to read:

Subd. 6a. [DIRECT BUSINESS.] (a) "Direct business" means all insurance provided by an insurance company or its agents, and specifically includes stop-loss insurance purchased in connection with a self-insurance plan for employee health benefits or for other purposes, but excludes:

(1) reinsurance in which an insurance company assumes the liability of another insurance company; and

(2) self-insurance.

(b) For purposes of this subdivision, an insurance company includes a nonprofit health service corporation, health maintenance organization, and community integrated service network.

[EFFECTIVE DATE.] This section is effective for insurance premiums received after December 31, 2005.

Sec. 23. Minnesota Statutes 2004, section 297I.01, is amended by adding a subdivision to read:

Subd. 13a. [REINSURANCE.] "Reinsurance" is insurance whereby an insurance company, for a consideration, agrees to indemnify another insurance company against all or part of the loss which the latter may sustain under the policy or policies which it has issued.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 24. Minnesota Statutes 2004, section 297I.05, subdivision 4, is amended to read:

Subd. 4. [MUTUAL PROPERTY AND CASUALTY COMPANIES WITH TOTAL ASSETS LESS THAN \$1,600,000,000 ON DECEMBER 31, 1989.] A tax is imposed on mutual property and casualty companies that had total assets greater than \$5,000,000 at the end of the calendar year but that had total assets less than \$1,600,000,000 on December 31, 1989. The rate of tax is equal to:

(1) ~~two percent of gross premiums less return premiums on all direct business received by the insurer or agents of the insurer in Minnesota the tax under subdivision 14 for life insurance, in cash or otherwise, during the year; and~~

(2) 1.26 percent of gross premiums less return premiums on all other direct business received by the insurer or agents of the insurer in Minnesota, in cash or otherwise, during the year.

[EFFECTIVE DATE.] This section is effective for premiums received after December 31, 2007.

Sec. 25. Minnesota Statutes 2004, section 297I.05, subdivision 5, is amended to read:

Subd. 5. [HEALTH MAINTENANCE ORGANIZATIONS, NONPROFIT HEALTH SERVICE PLAN CORPORATIONS, AND COMMUNITY INTEGRATED SERVICE NETWORKS.] (a) ~~Health maintenance organizations, community integrated service networks, and nonprofit health care service plan corporations are exempt from the tax imposed under this section for premiums received in calendar years 2001 to 2003.~~

~~(b) For calendar years after 2003, A tax is imposed on health maintenance organizations, community integrated service networks, and nonprofit health care service plan corporations. The rate of tax is equal to one percent of gross premiums less return premiums on all direct business received by the organization, network, or corporation or its agents in Minnesota, in cash or otherwise, in the calendar year.~~

~~(c) 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 tax as described in paragraph (a) is reflected in the premium rate.~~

~~(d)~~ (b) The commissioner shall deposit all revenues, including penalties and interest, collected under this chapter from health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations in the health care access fund. Refunds of overpayments of tax imposed by this subdivision must be paid from the health care access fund. There is annually appropriated from the health care access fund to the commissioner the amount necessary to make any refunds of the tax imposed under this subdivision.

[EFFECTIVE DATE.] This section is effective January 1, 2005.

Sec. 26. Minnesota Statutes 2004, section 297I.05, is amended by adding a subdivision to read:

Subd. 14. [LIFE INSURANCE.] A tax is imposed on life insurance. The rate of the tax equals 1.5 percent of gross premiums less return premiums on all direct business received by the insurer or agents of the insurer in Minnesota for life insurance, in cash or otherwise, during the year.

[EFFECTIVE DATE.] This section is effective for premiums received after December 31, 2007.

Sec. 27. Minnesota Statutes 2004, section 298.24, subdivision 1, is amended to read:

Subdivision 1. (a) For concentrate produced in 2001, 2002, and 2003, 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 \$2.103 per gross ton of merchantable iron ore concentrate produced therefrom.

(b) For concentrates produced in 2004 and subsequent years, the tax rate shall be equal to the preceding year's tax rate plus an amount equal to the preceding year's tax rate multiplied by the percentage increase in the implicit price deflator from the fourth quarter of the second preceding year to the fourth quarter of the preceding year. "Implicit price deflator" means the implicit price deflator for the gross domestic product 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 \$2.103 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 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 commercial production of direct reduced ore, no tax is imposed under this section. As used in this paragraph, "commercial production" is production of more than 50,000 tons of direct reduced ore in the current year or in any prior year, "noncommercial production" is production of 50,000 tons or less of direct reduced ore in any year, and "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 commercial 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~~ commercial production year, the rate is 50 percent of the rate otherwise determined under this subdivision; for the fifth ~~such~~ commercial production year, the rate is 75 percent of the rate otherwise determined under this subdivision; and for all subsequent commercial 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.

(3) Notwithstanding any other provision of this subdivision, no tax is imposed on direct reduced ore under this section during the facility's noncommercial production of direct reduced ore. The taconite or iron sulphides consumed in the noncommercial production of direct reduced ore is subject to the tax imposed by this section on taconite and iron sulphides.

[EFFECTIVE DATE.] This section is effective for direct reduced ore produced after the day following final enactment.

Sec. 28. Minnesota Statutes 2004, section 298.75, is amended by adding a subdivision to read:

Subd. 10. [TAX MAY BE IMPOSED, CASS COUNTY.] (a) If Cass County does not impose a tax under this section, the town of Sylvan in Cass County may impose the aggregate materials tax under this section.

(b) For purposes of exercising the powers contained in this section, the "town" is deemed to be the "county."

(c) All provisions in this section apply to the town of Sylvan, except that in lieu of the distribution of the tax proceeds under subdivision 7, all proceeds of the tax must be retained by the town.

(d) If Cass County imposes an aggregate materials tax under this section, the tax imposed by the town of Sylvan under this subdivision is repealed on the effective date of the Cass County tax.

[EFFECTIVE DATE.] This section is effective the day after the governing body of the town of Sylvan and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 29. Minnesota Statutes 2004, section 473.843, subdivision 5, is amended to read:

Subd. 5. [PENALTIES; ENFORCEMENT.] The audit, penalty, and enforcement provisions applicable to corporate franchise taxes imposed under chapter 290 apply to the fees imposed under this section. The commissioner of revenue shall administer the provisions.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 30. [FLOOR STOCKS TAX.]

Subdivision 1. [CIGARETTES.] A floor stocks cigarette sales tax is imposed on every person engaged in the business in this state as a distributor, retailer, subjobber, vendor, manufacturer, or manufacturer's representative of cigarettes, on the stamped cigarettes and unaffixed stamps in the person's possession or under the person's control at 12:01 a.m. on August 1, 2005. The tax is imposed at the rate of 20 cents per pack of 20 cigarettes. For packs of cigarettes with other than 20 cigarettes, the tax shall be adjusted proportionally.

Each distributor, by August 10, 2005, shall file a return with the commissioner, in the form the commissioner prescribes, showing the stamped cigarettes and unaffixed stamps on hand at 12:01 a.m. on August 1, 2005, and the amount of tax due on the cigarettes and unaffixed stamps. The tax imposed by this section is due and payable by September 7, 2005, and after that date bears interest at the rate of one percent a month.

Each retailer, subjobber, vendor, manufacturer, or manufacturer's representative, by August 10, 2005, shall file a return with the commissioner, in the form the commissioner prescribes, showing the cigarettes on hand at 12:01 a.m. on August 1, 2005, and the amount of tax due on the cigarettes. The tax imposed by this section is due and payable by September 7, 2005, and after that date bears interest at the rate of one percent a month.

Subd. 2. [AUDIT AND ENFORCEMENT.] The tax imposed by this section is subject to the audit, assessment, penalty, and collection provisions applicable to the taxes imposed under Minnesota Statutes, chapter 297F. The commissioner may require a distributor to receive and maintain copies of floor stocks tax returns filed by all persons requesting a credit for returned cigarettes.

Subd. 3. [DEPOSIT OF PROCEEDS.] The revenue from the tax imposed under this section shall be deposited by the commissioner in the state treasury and credited to the general fund.

[EFFECTIVE DATE.] This section is effective August 1, 2005.

Sec. 31. [REPEALER.]

Minnesota Statutes 2004, section 297E.12, subdivision 10, is repealed effective the day following final enactment.

ARTICLE 9

ECONOMIC DEVELOPMENT

Section 1. Minnesota Statutes 2004, section 272.02, subdivision 64, is amended to read:

Subd. 64. [JOB OPPORTUNITY BUILDING ZONE PROPERTY.] (a) Improvements to real property, and personal property, classified under section 273.13, subdivision 24, and located within a job opportunity building zone, designated under section 469.314, are exempt from ad valorem taxes levied under chapter 275.

(b) Improvements to real property, and tangible personal property, of an agricultural production facility located within an agricultural processing facility zone, designated under section 469.314, is exempt from ad valorem taxes levied under chapter 275.

(c) For property to qualify for exemption under paragraph (a), the occupant must be a qualified business, as defined in section 469.310.

(d) The exemption applies beginning for the first assessment year after designation of the job opportunity building zone by the commissioner of employment and economic development. The exemption applies to each assessment year that begins during the duration of the job opportunity building zone ~~and to property. To be exempt, the property must be~~ occupied by July 1 of the assessment year by a qualified business that has signed the business subsidy agreement and relocation agreement, if required, by July 1 of the assessment year. This exemption does not apply to:

(1) the levy under section 475.61 or similar levy provisions under any other law to pay general obligation bonds; or

(2) a levy under section 126C.17, if the levy was approved by the voters before the designation of the job opportunity building zone.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2006 and thereafter.

Sec. 2. Minnesota Statutes 2004, section 272.0212, subdivision 1, is amended to read:

Subdivision 1. [EXEMPTION.] All qualified property in a zone is exempt to the extent and for a period up to the duration provided by the zone designation and under sections 469.1731 to 469.1735.

[EFFECTIVE DATE.] This section is effective for development agreements approved after the day following final enactment and beginning for property taxes payable in 2006.

Sec. 3. Minnesota Statutes 2004, section 272.0212, subdivision 2, is amended to read:

Subd. 2. [LIMITS ON EXEMPTION.] (a) 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 school referendum levies as defined in section 126C.17.

(b) The city may limit the property tax exemption to a shorter period than the duration of the zone or to a percentage of the property taxes payable or both.

[EFFECTIVE DATE.] This section is effective for development agreements approved after the day following final enactment and beginning for property taxes payable in 2006.

Sec. 4. Minnesota Statutes 2004, section 289A.56, is amended by adding a subdivision to read:

Subd. 7. [BIOTECHNOLOGY AND HEALTH SCIENCES INDUSTRY ZONE REFUNDS.] Notwithstanding subdivision 3, for refunds payable under section 297A.68, subdivision 38, interest is computed from 90 days after the refund claim is filed with the commissioner.

[EFFECTIVE DATE.] This section is effective for refund claims filed on or after July 1, 2005.

Sec. 5. Minnesota Statutes 2004, section 297A.68, subdivision 37, is amended to read:

Subd. 37. [JOB OPPORTUNITY BUILDING ZONES.] (a) Purchases of tangible personal property or taxable services by a qualified business, as defined in section 469.310, are exempt if the property or services are primarily used or consumed in a job opportunity building zone designated under section 469.314.

(b) Purchase and use of construction materials and supplies for construction of improvements to real property in a job opportunity building zone are exempt if the improvements after completion of construction are to be used in the conduct of a qualified business, as defined in section 469.310. This exemption applies regardless of whether the purchases are made by the business or a contractor. The exemption does not apply unless the business subsidy agreement entered into pursuant to section 469.313 requires the prevailing wage to be paid on the construction project.

(c) The exemptions under this subdivision apply to a local sales and use tax regardless of whether the local sales tax is imposed on the sales taxable as defined under this chapter.

(d) This subdivision applies to sales, if the purchase was made and delivery received during the duration of the zone.

Sec. 6. Minnesota Statutes 2004, section 297A.68, subdivision 38, is amended to read:

Subd. 38. [BIOTECHNOLOGY AND HEALTH SCIENCES INDUSTRY ZONE.] (a) Purchases of tangible personal property or taxable services by a qualified business, as defined in section 469.330, are exempt if the property or services are primarily used or consumed in a biotechnology and health sciences industry zone designated under section 469.334.

(b) Purchase and use of construction materials ~~and~~ and supplies ~~for~~ or equipment used or consumed in the construction of improvements to real property in a biotechnology and health sciences industry zone are exempt if the improvements after completion of construction are to be used in the conduct of a qualified business, as defined in section 469.330. This exemption applies regardless of whether the purchases are made by the business or a contractor.

(c) The exemptions under this subdivision apply to a local sales and use tax regardless of whether the local sales tax is imposed on the sales taxable as defined under this chapter.

(d)(1) The tax on sales of goods or services exempted under this subdivision are imposed and collected as if the applicable rate under section 297A.62 applied. Upon application by the purchaser, on forms prescribed by the commissioner, a refund equal to the tax paid must 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.

(2) The amount required to make the refunds is annually appropriated to the commissioner of revenue.

(3) The aggregate amount refunded to a qualified business must not exceed the amount allocated to the qualified business under section 469.335.

(e) This subdivision applies only to sales made during the duration of the designation of the zone.

[EFFECTIVE DATE.] This section is effective for sales made after December 31, 2003.

Sec. 7. Minnesota Statutes 2004, section 469.169, is amended by adding a subdivision to read:

Subd. 17. [ADDITIONAL BORDER CITY ALLOCATIONS.] (a) In addition to tax reductions authorized in subdivisions 7 to 16, the commissioner shall allocate \$750,000 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 for 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. Any portion of the allocation provided in this paragraph may alternatively be used for tax reductions under section 469.1732 or 469.1734.

(b) The commissioner shall allocate \$750,000 for tax reductions under section 469.1732 or 469.1734 to cities with border city enterprise zones located on the western border of the state. The commissioner shall allocate this amount among the cities on a per capita basis. Any portion of the allocation provided in this paragraph may alternatively be used for tax reductions as provided in section 469.171.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 8. Minnesota Statutes 2004, section 469.176, subdivision 41, is amended to read:

Subd. 41. [PROHIBITED FACILITIES.] (a) No tax increment from any district may be used for:

(1) a commons area used as a public park; ~~or~~

(2) a facility used for social, recreational, or conference purposes; or

(3) a property that includes a casino or other facility conducting class III gaming as defined in United States Code, title 25, section 2703, regardless of whether it is conducted by an Indian tribe or tribal business.

(b) This subdivision does not apply to a privately owned facility for conference purposes or a parking structure.

[EFFECTIVE DATE.] This section is effective for expenditures of increment made after June 30, 2005, regardless of when the request for certification of the district was made.

Sec. 9. Minnesota Statutes 2004, 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 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 a qualified manufacturing facility or a qualified distribution facility or a combination of both; or

(2) a qualified housing district.

(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.

(c) The authority may not request inclusion in a tax increment financing district and the county auditor may not certify the original tax capacity of a parcel or a part of a parcel that contains or is expected to contain uses, facilities, properties, or businesses containing class III gaming, as defined in United States Code, title 25, section 2703, regardless of whether it is conducted by an Indian tribe or tribal business.

[EFFECTIVE DATE.] This section is effective for parcels for which the request for certification is made after June 30, 2005.

Sec. 10. Minnesota Statutes 2004, section 469.310, subdivision 11, is amended to read:

Subd. 11. [QUALIFIED BUSINESS.] (a) ~~"Qualified business" means~~ A person carrying on a trade or business at a place of business located within a job opportunity building zone is a qualified business for the purposes of sections 469.310 to 469.320 according to the criteria in paragraphs (b) to (f).

(b) A person is a qualified business only on those parcels of land for which the person has entered into a business subsidy agreement, as required under section 469.313, with the appropriate local government unit in which the parcels are located.

(c) Prior to execution of the business subsidy agreement, the local government unit must consider the following factors:

- (1) how wages plus benefits compare to 110 percent of the statewide poverty rate for a family of four;
- (2) how wages compare to the regional industry average;
- (3) the number of jobs that will be provided relative to overall employment in the community;
- (4) the economic outlook for the industry the business will engage in;
- (5) sales that will be generated from outside the state of Minnesota;
- (6) how the business will build on existing regional strengths or diversify the regional economy;
- (7) how the business will increase capital investment in the zone; and
- (8) any other criteria the commissioner deems necessary.

~~(b)~~ (d) A person that relocates a trade or business from outside a job opportunity building zone into a zone is not a qualified business; unless the business meets all of the requirements of paragraphs (b) and (c) and:

(1)(i) increases full-time employment in the first full year of operation within the job opportunity building zone by at least a minimum of five jobs or 20 percent, whichever is greater, measured relative to the operations that were relocated and maintains the required level of employment for each year the zone designation applies; or

(ii) makes a capital investment in the property located within a zone equivalent to ten percent of the gross revenues of operation that were relocated in the immediately preceding taxable year; and

(2) enters a binding written agreement with the commissioner that:

(i) pledges the business will meet the requirements of clause (1);

(ii) provides for repayment of all tax benefits enumerated under section 469.315 to the business under the procedures in section 469.319, if the requirements of clause (1) are not met for the taxable year or for taxes payable during the year in which the requirements were not met; and

(iii) contains any other terms the commissioner determines appropriate.

(e) The commissioner may waive the requirements under paragraph (d), clause (1), if the commissioner determines that the qualified business will substantially achieve the factors under this subdivision.

(f) A business is not a qualified business if, at its location or locations in the zone, the business is primarily engaged in making retail sales to purchasers who are physically present at the business's zone location.

[EFFECTIVE DATE.] This section is effective the day following final enactment and applies to any business entering a business subsidy agreement for a job opportunity development zone after that date, except that paragraph (b) is effective retroactively from June 9, 2003.

Sec. 11. Minnesota Statutes 2004, section 469.310, is amended by adding a subdivision to read:

Subd. 13. [RELOCATION PAYROLL PERCENTAGE.] "Relocation payroll percentage" is a fraction, the numerator of which is the zone payroll of the business for the tax year minus the payroll from the relocated operations in the last full year of operations prior to the relocation, and the denominator of which is the zone payroll of the business for the tax year. The relocation payroll percentage of a business that is not a relocating business is 100 percent.

[EFFECTIVE DATE.] This section is effective the day following final enactment but applies only to qualified businesses with business subsidy agreements that are fully executed after June 30, 2005.

Sec. 12. Minnesota Statutes 2004, section 469.315, is amended to read:

469.315 [TAX INCENTIVES AVAILABLE IN ZONES.]

Qualified businesses that operate in a job opportunity building zone, individuals who invest in a qualified business that operates in a job opportunity building zone, and property located in a job opportunity building zone qualify for:

- (1) exemption from individual income taxes as provided under section 469.316;
- (2) exemption from corporate franchise taxes as provided under section 469.317;
- (3) exemption from the state sales and use tax and any local sales and use taxes on qualifying purchases as provided in section 297A.68, subdivision 37;
- (4) exemption from the state sales tax on motor vehicles and any local sales tax on motor vehicles as provided under section 297B.03;
- (5) exemption from the property tax as provided in section 272.02, subdivision 64;
- (6) exemption from the wind energy production tax under section 272.029, subdivision 7; and
- (7) the jobs credit allowed under section 469.318.

The sales tax exemption under section 297A.68, subdivision 37, paragraph (b), is not "financial assistance" under section 116J.871 or a "business subsidy" under section 116J.993 unless the business subsidy agreement entered into pursuant to section 469.313 requires the payment of the prevailing wage.

[EFFECTIVE DATE.] This section is effective retroactively from January 1, 2004.

Sec. 13. Minnesota Statutes 2004, section 469.316, is amended to read:

469.316 [INDIVIDUAL INCOME TAX EXEMPTION.]

Subdivision 1. [APPLICATION.] An individual, estate, or trust operating a trade or business in a job opportunity building zone, and an individual, estate, or trust making a qualifying investment in a qualified business operating in a job opportunity building zone qualifies for the exemptions from taxes imposed under chapter 290, as provided in this section. The exemptions provided under this section apply only to the extent that the income otherwise would be taxable under chapter 290. Subtractions under this section from federal taxable income, alternative minimum taxable income, or any other base subject to tax are limited to the amount that otherwise would be included in the tax base absent the exemption under this section. This section applies only to taxable years beginning during the duration of the job opportunity building zone.

Subd. 2. [RENTS.] An individual, estate, or trust is exempt from the taxes imposed under chapter 290 on net rents derived from real or tangible personal property used by a qualified business and located in a zone for a taxable year in which the zone was designated a job opportunity building zone. If tangible personal property was used both within and outside of the zone by the qualified business, the exemption amount for the net rental income must be multiplied by a fraction, the numerator of which is the number of days the property was used in the zone and the denominator of which is the total days the property is rented by the qualified business.

Subd. 3. [BUSINESS INCOME.] An individual, estate, or trust is exempt from the taxes imposed under chapter 290 on net income from the operation of a qualified business in a job opportunity building zone. If the trade or business is carried on within and without the zone and the individual is not a resident of Minnesota, or the taxpayer is an estate or trust, the exemption must be apportioned based on the zone percentage and the relocation payroll percentage for the taxable year. If the trade or business is carried on within and without the zone and the individual is a resident of Minnesota, the exemption must be apportioned based on the zone percentage and the relocation payroll percentage for the taxable year, except the ratios under section 469.310, subdivision 7, clause (1), items (i) and (ii), must use the denominators of the property and payroll factors determined under section 290.191. No subtraction is allowed under this section in excess of 20 percent of the sum of the job opportunity building zone payroll and the adjusted basis of the property at the time that the property is first used in the job opportunity building zone by the business.

Subd. 4. [CAPITAL GAINS.] (a) An individual, estate, or trust is exempt from the taxes imposed under chapter 290 on:

(1) net gain derived on a sale or exchange of real property located in the zone and used by a qualified business. If the property was held by the individual, estate, or trust during a period when the zone was not designated, the gain must be prorated based on the percentage of time, measured in calendar days, that the real property was held by the individual, estate, or trust during the period the zone designation was in effect to the total period of time the real property was held by the individual;

(2) net gain derived on a sale or exchange of tangible personal property used by a qualified business in the zone. If the property was held by the individual, estate, or trust during a period when the zone was not designated, the gain must be prorated based on the percentage of time, measured in calendar days, that the property was held by the individual, estate, or trust during the period the zone designation was in effect to the total period of time the property was held by the individual. If the tangible personal property was used outside of the zone during the period of the zone's designation, the exemption must be multiplied by a fraction, the numerator of which is the number of days the property was used in the zone during the time of the designation and the denominator of which is the total days the property was held during the time of the designation; and

(3) net gain derived on a sale of an ownership interest in a qualified business operating in the job opportunity building zone, meeting the requirements of paragraph (b). The exemption on the gain must be multiplied by the zone percentage of the business for the taxable year prior to the sale.

(b) A qualified business meets the requirements of paragraph (a), clause (3), if it is a corporation, an S corporation, or a partnership, and for the taxable year its job opportunity building zone percentage exceeds 25 percent. For purposes of paragraph (a), clause (3), the zone percentage must be calculated by modifying the ratios under section 469.310, subdivision 7, clause (1), items (i) and (ii), to use the denominators of the property and payroll factors determined under section 290.191. Upon the request of an individual, estate, or trust holding an ownership interest in the entity, the entity must certify to the owner, in writing, the job opportunity building zone percentage needed to determine the exemption.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2003, except that changes in subdivision 3 relating to the relocation payroll percentage are effective the day following final enactment and apply only to qualified businesses with business subsidy agreements that are fully executed after June 30, 2005.

Sec. 14. Minnesota Statutes 2004, section 469.317, is amended to read:

469.317 [CORPORATE FRANCHISE TAX EXEMPTION.]

(a) A qualified business is exempt from taxation under section 290.02, the alternative minimum tax under section 290.0921, and the minimum fee under section 290.0922, on the portion of its income attributable to operations within the zone. This exemption is determined as follows:

(1) for purposes of the tax imposed under section 290.02, by multiplying its taxable net income by its zone percentage and by its relocation payroll percentage and subtracting the result in determining taxable income;

(2) for purposes of the alternative minimum tax under section 290.0921, by multiplying its alternative minimum taxable income by its zone percentage and by its relocation payroll percentage and reducing alternative minimum taxable income by this amount; and

(3) for purposes of the minimum fee under section 290.0922, by excluding property and payroll in the zone from the computations of the fee or by exempting the entity under section 290.0922, subdivision 2, clause (7).

(b) No subtraction is allowed under this section in excess of 20 percent of the sum of the corporation's job opportunity building zone payroll and the adjusted basis of the property at the time that the property is first used in the job opportunity building zone by the corporation.

(c) This section applies only to taxable years beginning during the duration of the job opportunity building zone.

[EFFECTIVE DATE.] This section is effective the day following final enactment but applies only to qualified businesses with business subsidy agreements that are fully executed after June 30, 2005.

Sec. 15. Minnesota Statutes 2004, section 469.319, subdivision 1, is amended to read:

Subdivision 1. [REPAYMENT OBLIGATION.] A business must repay the amount of the total tax reduction listed in section 469.315 and any refund under section 469.318 in excess of tax liability, received during the two years immediately before it ceased to operate in the zone, if the business:

(1) received tax reductions authorized by section 469.315; and

(2)(i) did not meet the goals specified in an agreement entered into with the applicant that states any obligation the qualified business must fulfill in order to be eligible for tax benefits. The commissioner of employment and economic development may extend for up to one year the period for meeting any goals provided in an agreement. The applicant may extend the period for meeting other goals by documenting in writing the reason for the extension and attaching a copy of the document to its next annual report to the commissioner of employment and economic development; or

(ii) ceased to operate its facility located within the job opportunity building zone or otherwise ceases to be or is not a qualified business.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 16. Minnesota Statutes 2004, section 469.319, is amended by adding a subdivision to read:

Subd. 6. [RECONCILIATION.] Where this section is inconsistent with section 116J.994, subdivision 3, paragraph (e), or 6, or any other provisions of sections 116J.993 to 116J.995, this section prevails.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 17. Minnesota Statutes 2004, section 469.320, subdivision 3, is amended to read:

Subd. 3. [REMEDIES.] If the commissioner determines, based on a report filed under subdivision 1 or other available information, that a zone or subzone is failing to meet its performance goals, the commissioner may take any actions the commissioner determines appropriate, including modification of the boundaries of the zone or a subzone or termination of the zone or a subzone. Before taking any action, the commissioner shall consult with the applicant and the affected local government units, including notifying them of the proposed actions to be taken. ~~The commissioner shall publish any order modifying a zone in the State Register and on the Internet.~~ The applicant may appeal the commissioner's order under the contested case procedures of chapter 14.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 18. Minnesota Statutes 2004, section 469.330, subdivision 11, is amended to read:

Subd. 11. [QUALIFIED BUSINESS.] (a) "Qualified business" means a person carrying on a trade or business at a biotechnology and health sciences industry facility located within a biotechnology and health sciences industry zone. A person is a qualified business only on those parcels of land for which it has entered into a business subsidy agreement, as required under section 469.333, with the appropriate local government unit in which the parcels are located.

(b) A person that relocates a biotechnology and health sciences industry facility from outside a biotechnology and health sciences industry zone into a zone is not a qualified business, unless the business:

(1)(i) increases full-time employment in the first full year of operation within the biotechnology and health sciences industry zone by at least 20 percent measured relative to the operations that were relocated and maintains the required level of employment for each year the zone designation applies; or

(ii) makes a capital investment in the property located within a zone equivalent to ten percent of the gross revenues of operation that were relocated in the immediately preceding taxable year; and

(2) enters a binding written agreement with the commissioner that:

(i) pledges the business will meet the requirements of clause (1);

(ii) provides for repayment of all tax benefits enumerated under section 469.336 to the business under the procedures in section 469.340, if the requirements of clause (1) are not met; and

(iii) contains any other terms the commissioner determines appropriate.

[EFFECTIVE DATE.] This section is effective retroactively from June 9, 2003.

Sec. 19. Minnesota Statutes 2004, section 469.335, is amended to read:

469.335 [APPLICATION FOR TAX BENEFITS.]

(a) To claim a tax credit or exemption against a state tax under section 469.336, clauses (2) through (5), a business must apply to the commissioner for a tax credit certificate. As a condition of its application, the business must agree to furnish information to the commissioner that is sufficient to verify the eligibility for any credits or exemptions claimed. The total amount of the state tax credits and exemptions allowed for the specified period may not exceed the amount of the tax credit certificates provided by the commissioner to the business. The commissioner must verify to the commissioner of revenue the amount of tax exemptions or credits for which each business is eligible.

(b) A tax credit certificate issued under this section may specify the particular tax exemptions or credits against a state tax that the qualified business is eligible to claim under section 469.336, clauses (2) through (5), and the amount of each exemption or credit allowed.

(c) The commissioner may issue \$1,000,000 of tax credits or exemptions in fiscal year 2004. Any tax credits or exemptions not awarded in fiscal year 2004 may be awarded in fiscal year 2005. Any tax credits or exemptions not awarded in fiscal year 2004 or 2005 do not cancel and may be awarded in fiscal years 2006 and 2007.

(d) A qualified business must use the tax credits or tax exemptions granted under this section by the later of the end of the state fiscal year or the taxpayer's tax year in which the credits or exemptions are granted.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 20. Minnesota Statutes 2004, section 469.337, is amended to read:

469.337 [CORPORATE FRANCHISE TAX EXEMPTION.]

(a) A qualified business is exempt from taxation under section 290.02, the alternative minimum tax under section 290.0921, and the minimum fee under section 290.0922, on the portion of its income attributable to operations of a qualified business within the biotechnology and health sciences industry zone. This exemption is determined as follows:

(1) for purposes of the tax imposed under section 290.02, by multiplying its taxable net income by its zone percentage and subtracting the result in determining taxable income;

(2) for purposes of the alternative minimum tax under section 290.0921, by multiplying its alternative minimum taxable income by its zone percentage and reducing alternative minimum taxable income by this amount; and

(3) for purposes of the minimum fee under section 290.0922, by excluding zone property and payroll ~~in the zone~~ from the computations of the fee. The qualified business is exempt from the minimum fee if all of its property is located in the zone and all of its payroll is zone payroll.

(b) No subtraction is allowed under this section in excess of 20 percent of the sum of the corporation's biotechnology and health sciences industry zone payroll and the adjusted basis of the property at the time that the property is first used in the biotechnology and health sciences industry zone by the corporation.

(c) No reduction in tax is allowed in excess of the amount allocated under section 469.335.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2003.

Sec. 21. Minnesota Statutes 2004, section 469.340, subdivision 1, is amended to read:

Subdivision 1. [REPAYMENT OBLIGATION.] A business must repay the amount of the tax reduction listed in section 469.336 and any refunds under sections 469.338 and 469.339 in excess of tax liability, received during the two years immediately before it ceased to operate in the zone, if the business:

(1) received tax reductions authorized by section 469.336; and

(2)(i) did not meet the goals specified in an agreement entered into with the applicant that states any obligation the qualified business must fulfill in order to be eligible for tax benefits. The commissioner of employment and economic development may extend for up to one year the period for meeting any goals provided in an agreement. The applicant may extend the period for meeting other goals by documenting in writing the reason for the extension and attaching a copy of the document to its next annual report to the commissioner of employment and economic development; or

(ii) ceased to operate its facility located within the biotechnology and health sciences industry zone or otherwise ceases to be or is not a qualified business.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 22. [FERGUS FALLS; ECONOMIC DEVELOPMENT.]

Notwithstanding the time limits in Minnesota Statutes 2004, section 272.02, subdivision 39, the holding of property by the city of Fergus Falls for later resale for economic development purposes is considered a public purpose for purposes of Minnesota Statutes, section 272.02, subdivision 8, for a period not to exceed 15 years. The other requirements of Minnesota Statutes, section 272.02, subdivision 39, apply to property held by the city under this section.

[EFFECTIVE DATE.] This section is effective the day after approval by the governing body of the city of Fergus Falls and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 23. [CITY OF TAYLORS FALLS; BORDER CITY DEVELOPMENT ZONE.]

Subdivision 1. [AUTHORIZATION.] The governing body of the city of Taylors Falls may designate all or any part of the city as a border city development zone.

Subd. 2. [APPLICATION OF GENERAL LAW.] (a) Minnesota Statutes, sections 469.1731 to 469.1735, apply to the border city development zones designated under this section. The governing body of the city may exercise the powers granted under Minnesota Statutes, sections 469.1731 to 469.1735, including powers that apply outside of the zones.

(b) The allocation under subdivision 3 for purposes of Minnesota Statutes, section 469.1735, subdivision 2, is appropriated to the commissioner of revenue.

Subd. 3. [ALLOCATION OF STATE TAX REDUCTIONS.] (a) The cumulative total amount of the state portion of the tax reductions for all years of the program under Minnesota Statutes, sections 469.1731 to 469.1735, for the city of Taylors Falls, is limited to \$100,000.

(b) This allocation may be used for tax reductions provided in Minnesota Statutes, section 469.1732 or 469.1734, or for reimbursements under Minnesota Statutes, section 469.1735, subdivision 3, but only if the governing body of the city of Taylors Falls determines that the tax reduction or offset is necessary to enable a business to expand within the city or to attract a business to the city.

(c) The commissioner of revenue may waive the limit under this subdivision using the same rules and standards provided in Minnesota Statutes, section 469.169, subdivision 12, paragraph (b).

[EFFECTIVE DATE; LOCAL APPROVAL.] This section is effective upon approval by a majority of the voters of the city of Taylors Falls voting on the question at a general election.

Sec. 24. [REVISOR'S INSTRUCTION.]

The revisor shall renumber Minnesota Statutes, section 469.310, subdivision 11, as section 469.3135, and insert the following definition of "qualified business" in Minnesota Statutes, section 469.310: "'Qualified business' means the entity described in section 469.3135."

Sec. 25. [REPEALER.]

Minnesota Statutes 2004, section 272.02, subdivision 65, is repealed effective for taxes payable in 2006 and thereafter. Minnesota Statutes 2004, section 477A.08, is repealed effective for aid payable in 2005 and thereafter.

ARTICLE 10

TAX SHELTERS

Section 1. [270.103] [EQUITABLE ACTIONS.]

(a) The commissioner may bring a civil action to enjoin any person from taking action or failing to take action that is subject to penalty under section 289A.60, subdivisions 7, 20, 20a, 26, 27, and 28.

(b) In any action under paragraph (a), the court may enjoin the person from engaging in the conduct, if the court finds that:

(1) the person has engaged in the specified conduct; and

(2) injunctive relief is appropriate to prevent recurrence of the conduct.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 2. [289A.121] [TAX SHELTERS SPECIAL RULES.]

Subdivision 1. [SCOPE.] The provisions of this section apply to a tax shelter that:

(1) is organized in this state;

(2) is doing business in this state;

(3) is deriving income from sources in this state; or

(4) has one or more investors that are Minnesota taxpayers under chapter 290.

Subd. 2. [DEFINITIONS.] (a) For purposes of this section, the definitions under sections 6111 and 6112 of the Internal Revenue Code, including the regulations under those sections, apply. In applying the federal definitions, references to "tax," "taxable income," and similar terms must be interpreted to include those terms under chapter 290.

(b) The term "tax shelter" includes any reportable transaction under subdivision 5.

Subd. 3. [REGISTRATION.] (a) Any tax shelter organizer required to register a tax shelter under section 6111 of the Internal Revenue Code must register the shelter with the commissioner.

(b) A tax shelter organizer subject to this subdivision must send a duplicate of the federal registration information, along with any other information the commissioner requires, to the commissioner not later than the day on which interests in that tax shelter are first offered for sale.

(c) In addition to the requirements under paragraph (b), any listed transactions must be registered with the commissioner by the latest of:

(1) 60 days after entering into the transaction;

(2) 60 days after the transaction becomes a listed transaction; or

(3) December 31, 2005.

Subd. 4. [REGISTRATION NUMBER.] (a) Any person required to register under section 6111 of the Internal Revenue Code who receives a tax registration number from the Secretary of the Treasury must, within 30 days after requested by the commissioner, file a statement of that registration number with the commissioner.

(b) Any person who sells or otherwise transfers an interest in a tax shelter must, in the same time and manner required under section 6111(b) of the Internal Revenue Code, furnish to each investor who purchases or otherwise acquires an interest in the tax shelter the identification number assigned under federal law to the tax shelter.

(c) Any person claiming any deduction, credit, or other tax benefit by reason of a tax shelter must include on the return of tax on which the deduction, credit, or other benefit is claimed the identification number assigned under federal law to the tax shelter.

Subd. 5. [REPORTABLE TRANSACTIONS.] (a) For each taxable year in which a taxpayer must make a disclosure statement under Code of Federal Regulations, title 26, section 1.6011-4, for a reportable transaction, including a listed transaction, in which the taxpayer participated in a taxable year for which a return is required under chapter 290, the taxpayer must file a copy of the disclosure with the commissioner.

(b) Any taxpayer that is a member of a unitary business group that includes any person that must make a disclosure statement under Code of Federal Regulations, title 26, section 1.6011-4, must file a disclosure under this subdivision.

(c) Disclosure under this subdivision is required for any transaction entered into after December 31, 2001, that the Internal Revenue Service determines is a listed transaction at any time, and must be made in the manner prescribed by the commissioner. For transactions in which the taxpayer participated for taxable years ending before December 31, 2005, disclosure must be made by the due date of the first return required under chapter 290 after the enactment of this section. With respect to transactions in which the taxpayer participated for taxable years ending on and after December 31, 2005, disclosure must be made in the time and manner prescribed in the Code of Federal Regulations, title 26, section 1.6011-4(e).

(d) Notwithstanding paragraphs (a) to (c), no disclosure is required for transactions entered into after December 31, 2001, and before January 1, 2006, (1) if the taxpayer has filed an amended income tax return which reverses the tax benefits of the potential tax avoidance transaction, or (2) as a result of a federal audit the Internal Revenue Service has determined the tax treatment of the transaction and an amended return has been filed to reflect the federal treatment.

Subd. 6. [ABUSIVE SHELTERS; LISTS OF INVESTORS.] (a) Any person required to maintain a list under section 6112 of the Internal Revenue Code with respect to a potentially abusive tax shelter must furnish the list to the commissioner no later than when required under federal law. The list required under this subdivision must include the same information required with respect to a potentially abusive tax shelter under Code of Federal Regulations, title 26, section 301.6112-1, and any other information the commissioner requires.

(b) For transactions entered into on or after December 31, 2001, that become listed transactions at any time, the list must be furnished to the commissioner by the latest of:

- (1) 60 days after entering into the transaction;
- (2) 60 days after the transaction becomes a listed transaction; or
- (3) December 31, 2005.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2004, section 289A.38, is amended by adding a subdivision to read:

Subd. 15. [REPORTABLE TRANSACTIONS.] If a taxpayer fails to include on any return or statement for any taxable year any information with respect to a reportable transaction, as required by federal law and under section 289A.121, subdivision 5, the commissioner may recompute the tax, including a refund, within eight years after the return is filed with respect to the taxable year in which the taxpayer participated in the reportable transaction. If tax is assessable solely because of this section, the assessable deficiency is limited to the items that were not disclosed as required under section 289A.121, subdivision 5.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 4. Minnesota Statutes 2004, section 289A.60, subdivision 4, is amended to read:

Subd. 4. [SUBSTANTIAL UNDERSTATEMENT OF LIABILITY; PENALTY.] (a) The commissioner of revenue shall impose a penalty for substantial understatement of any tax payable to the commissioner, except a tax imposed under chapter 297A.

(b) There must be added to the tax an amount equal to 20 percent of the amount of any underpayment attributable to the understatement. There is a substantial understatement of tax for the period if the amount of the understatement for the period exceeds the greater of:

- (1) ten percent of the tax required to be shown on the return for the period; or
- (2) ~~(a)~~(i) \$10,000 in the case of a mining company or a corporation, other than an S corporation as defined in section 290.9725, when the tax is imposed by chapter 290 or section 298.01 or 298.015, or
- ~~(b)~~(ii) \$5,000 in the case of any other taxpayer, and in the case of a mining company or a corporation any tax not imposed by chapter 290 or section 298.01 or 298.015.

(c) For a corporation, other than an S corporation, that has been contacted by the commissioner regarding the use of a potentially abusive tax shelter, as defined under section 289A.121, there is also a substantial understatement of tax for any taxable year if the amount of the understatement for the taxable year exceeds the lesser of:

- (1) ten percent of the tax required to be shown on the return for the taxable year (or, if greater, \$2,500); or
- (2) \$5,000,000.

(d) The term "understatement" means the excess of the amount of the tax required to be shown on the return for the period, over the amount of the tax imposed that is shown on the return. The amount of the understatement shall be reduced by that part of the understatement that is attributable to the tax treatment of any item by the taxpayer if there is or was substantial authority for the treatment, or any item with respect to which the relevant facts affecting the item's tax treatment are adequately disclosed in the return or in a statement attached to the return. The special rules in cases involving tax shelters provided in section 6662(d)(2)(C) of the Internal Revenue Code shall apply and shall apply to a tax shelter the principal purpose of which is the avoidance or evasion of state taxes. The commissioner may abate all or any part of the addition to the tax provided by this section on a showing by the taxpayer that there was reasonable cause for the understatement, or part of it, and that the taxpayer acted in good faith. The additional tax and penalty shall bear interest at the rate specified in section 270.75 from the time the tax should have been paid until paid.

(e) For taxpayers that have been contacted by the commissioner regarding the use of a potentially abusive tax shelter within the meaning of section 298A.121, the amount of the understatement is reduced by that part of the understatement that is attributable to the tax treatment of any item by the taxpayer if the taxpayer had reasonable belief that the tax treatment was more likely than not the proper treatment or if any item with respect to which the relevant facts affecting the item's tax treatment are adequately disclosed in the return or in a statement attached to the return.

[EFFECTIVE DATE.] This section is effective for taxpayers contacted by the commissioner after the day following final enactment.

Sec. 5. Minnesota Statutes 2004, section 289A.60, subdivision 7, is amended to read:

Subd. 7. [PENALTY FOR FRIVOLOUS RETURN.] (a) If a taxpayer files what purports to be a tax return or a claim for refund but which does not contain information on which the substantial correctness of the purported return or claim for refund may be judged or contains information that on its face shows that the purported return or claim for refund is substantially incorrect and the conduct is due to a position that is frivolous or a desire that appears on the purported return or claim for refund to delay or impede the administration of Minnesota tax laws, then the individual shall pay a penalty of the greater of \$1,000 or 25 percent of the amount of tax required to be shown on the return. In a proceeding involving the issue of whether or not a person is liable for this penalty, the burden of proof is on the commissioner.

(b) If the taxpayer has been contacted by the commissioner of revenue regarding the use of a potentially abusive tax shelter within the meaning of section 289A.121, the penalty under this subdivision is the greater of \$5,000 or 25 percent of the amount of tax required to be shown on the return.

[EFFECTIVE DATE.] This section is effective for returns or claims filed after the day following final enactment.

Sec. 6. Minnesota Statutes 2004, section 289A.60, subdivision 20, is amended to read:

Subd. 20. [PENALTY FOR PROMOTING ABUSIVE TAX SHELTERS.] Any person who:

(1)(i) organizes or assists in the organization of a partnership or other entity, an investment plan or arrangement, or any other plan or arrangement, or (ii) participates in the sale of any interest in an entity or plan or arrangement referred to in clause (i); and

(2) makes or furnishes in connection with the organization or sale a statement with respect to the allowability of a deduction or credit, the excludability of income, or the securing of any other tax benefit by reason of holding an interest in the entity or participating in the plan or arrangement that the person knows or has reason to know is false or fraudulent concerning any material matter, shall pay a penalty equal to the greater of \$1,000 or ~~20~~ 50 percent of the gross income derived or to be derived by the person from the activity.

The penalty imposed by this subdivision is in addition to any other penalty provided by this section. The penalty must be collected in the same manner as any delinquent income tax. In a proceeding involving the issue of whether or not any person is liable for this penalty, the burden of proof is upon the commissioner.

[EFFECTIVE DATE.] This section is effective for transactions entered into after the day following final enactment.

Sec. 7. Minnesota Statutes 2004, section 289A.60, is amended by adding a subdivision to read:

Subd. 20a. [AIDING AND ABETTING UNDERSTATING OF TAX LIABILITY.] (a) A penalty in the amount under paragraph (b) for each document is imposed on each person who:

(1) aids or assists in, procures, or advises with respect to, the preparation or presentation of any portion of a return, affidavit, claim, or other document;

(2) knows or has reason to believe that the portion of a return, affidavit, claim, or other document will be used in connection with any material matter arising under the Minnesota individual income or corporate franchise tax; and

(3) knows that the portion, if so used, would result in an understatement of the liability for tax of another person.

(b)(1) Except as provided in clause (2), the amount of the penalty imposed by this subdivision is \$1,000.

(2) If the return, affidavit, claim, or other document relates to the tax liability of a corporation, the amount of the penalty imposed by paragraph (a) is \$10,000.

(3) If any person is subject to a penalty under paragraph (a) for any document relating to any taxpayer for any taxable period or taxable event, the person is not subject to a penalty under paragraph (a) for any other document relating to the taxpayer for the taxable period or event.

(c) For purposes of this subdivision, "procures" includes (i) ordering or otherwise causing any other person to do an act, and (ii) knowing of, and not attempting to prevent, participation by any other person in an act.

(d) The penalty under this subdivision applies whether or not the understatement is with the knowledge or consent of the persons authorized or required to present the return, affidavit, claim, or other document.

(e) For purposes of paragraph (a), clause (1), a person furnishing typing, reproducing, or other mechanical assistance with respect to a document is not treated as having aided or assisted in the preparation of the document by reason of the assistance.

(f)(1) Except as provided by clause (2), the penalty imposed by this section is in addition to any other penalty provided by law.

(2) No penalty applies under subdivision 20 to any person for any document for which a penalty is assessed on the person under this subdivision.

[EFFECTIVE DATE.] This section is effective for documents prepared after the day following final enactment.

Sec. 8. Minnesota Statutes 2004, section 289A.60, is amended by adding a subdivision to read:

Subd. 26. [TAX SHELTER PENALTIES; REGISTRATION AND LISTING.] (a) For purposes of this subdivision, "material advisor" has the meaning given it under Code of Federal Regulations, title 26, section 301.6112-1(c)(2).

(b) The penalties in this subdivision apply in connection with the use of tax shelters, as defined under section 289A.121.

(c) A person who fails to register a tax shelter, including providing all of the required information under section 289A.121, subdivision 3, is subject to a penalty of \$15,000. If the tax shelter is a listed shelter and disclosure is not made as required by section 289A.121, subdivision 5, a penalty applies equal to the greater of:

(1) \$100,000;

(2) 50 percent of the gross income that the organizer or material advisor derived from that activity; or

(3) 75 percent of the gross income that the organizer or material advisor derived from that activity if the organizer or material advisor intentionally failed to act.

(d) Any person who fails to supply a tax shelter registration number required under section 289A.121, subdivision 4, paragraph (b), is subject to a penalty of \$100 for each failure. Any person who fails to include a tax shelter registration number on a return as required under section 289A.121, subdivision 4, paragraph (c), is subject to a penalty of \$250 for each failure, unless the failure was due to reasonable cause. The penalties under this paragraph are in addition to any penalties under paragraph (c).

(e) The person required to maintain or provide a list under section 289A.121, subdivision 6, is subject to a penalty equal to:

(1) for reportable transactions, \$10,000 for each day after the 20th day that the organizer or material advisor failed to make the list available to the commissioner after written request for that list was made; and

(2) for listed transactions, the greater of:

(i) \$100,000; or

(ii) 50 percent of the gross income that the organizer or material advisor derived from that activity.

(f) The penalty imposed by this subdivision is in addition to any penalty imposed under this section.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2000.

Sec. 9. Minnesota Statutes 2004, section 289A.60, is amended by adding a subdivision to read:

Subd. 27. [FAILURE TO REPORT; REPORTABLE TRANSACTION.] (a) Any large entity or high net worth individual who fails to include on any return or statement any information with respect to a reportable transaction that is required under section 6011 of the Internal Revenue Code and under section 289A.121, to be included with that return or statement must pay a penalty for each omission in the amount determined under paragraph (b).

(b) The penalty is \$15,000, except for a listed transaction the penalty is \$30,000.

(c) For purposes of this subdivision:

(1) "High net worth individual" means, for a transaction, an individual whose net worth exceeds \$2,000,000 immediately before the transaction.

(2) "Large entity" means, for any taxable year, a person, other than an individual, with gross receipts in excess of \$10,000,000 for either the taxable year in which the reportable transaction occurs or in the preceding taxable year. Rules similar to the rules of section 448(c)(2) and 448(c)(3) of the Internal Revenue Code, other than section 448(c)(3)(A) of the Internal Revenue Code, apply.

(3) "Reportable transaction" means a reportable transaction under section 289A.121, subdivision 5.

(4) Except as provided in regulations prescribed by the Secretary of the Treasury, the term "listed transaction" means a reportable transaction, as defined in clause (3), that is the same as, or substantially similar to, a transaction specifically identified by the Secretary of the Treasury for purposes of section 6011 of the Internal Revenue Code for federal income tax purposes as a tax avoidance transaction.

(d) The penalty imposed by this subdivision is in addition to any penalty imposed under this section.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2000.

Sec. 10. Minnesota Statutes 2004, section 289A.60, is amended by adding a subdivision to read:

Subd. 28. [REPORTABLE TRANSACTION UNDERSTATEMENT.] (a) If a taxpayer has a reportable transaction understatement for any taxable year, an amount equal to 20 percent of the amount of the understatement must be added to the tax.

(b)(1) For purposes of this subdivision, "reportable transaction understatement" means the product of:

(i) the amount of the increase, if any, in taxable income that results from a difference between the proper tax treatment of an item to which this section applies and the taxpayer's treatment of that item as shown on the taxpayer's tax return; and

(ii) the highest rate of tax imposed on the taxpayer under section 290.06.

(2) For purposes of clause (1)(i), any reduction of the excess of deductions allowed for the taxable year over gross income for that year, and any reduction in the amount of capital losses which would, without regard to section 1211 of the Internal Revenue Code, be allowed for that year, must be treated as an increase in taxable income.

(c) This subdivision applies to any item that is attributable to:

(1) any listed transaction under section 289A.121; and

(2) any reportable transaction, other than a listed transaction, if a significant purpose of that transaction is the avoidance or evasion of tax imposed under chapter 290.

(d) The penalty imposed by this subdivision is in addition to any penalty imposed under this section.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2000.

Sec. 11. Minnesota Statutes 2004, section 289A.60, is amended by adding a subdivision to read:

Subd. 29. [ADDITION TO TAX.] (a) If a taxpayer has been contacted by the commissioner regarding the use of a potentially abusive tax shelter and has a deficiency, there must be added to the tax an amount equal to 100 percent of the interest payable under section 270.75 for the period beginning on the last date prescribed by law for the payment of that tax, determined without regard to extensions, and ending on the date the notice of proposed assessment is mailed.

(b) "Potentially abusive tax shelter" means:

(1) any tax shelter, as defined in section 6111 of the Internal Revenue Code, for which registration is required under section 289A.121; or

(2) any entity, investment plan or arrangement, or other plan or arrangement which is of a type that the Secretary of the Treasury determines by regulations as having a potential for tax avoidance or evasion.

(c) The penalty imposed by this subdivision is in addition to any other penalty imposed under this section and to the interest computation for purposes of section 270.75.

[EFFECTIVE DATE.] This section is effective for notices of proposed assessments mailed after the day following final enactment.

Sec. 12. Minnesota Statutes 2004, section 289A.60, is amended by adding a subdivision to read:

Subd. 30. [AUTHORITY TO ABATE TAX SHELTER PENALTIES.] (a) Notwithstanding section 270.07, the commissioner may abate all or any portion of any penalty imposed by subdivisions 20, 20a, and 26 to 29 for any violation, only if all of the following apply:

(1) the violation is for a reportable transaction, other than a listed transaction, as defined under Code of Federal Regulations, title 26, section 6011-4;

(2) the person on whom the penalty is imposed has a history of complying with the requirements of this chapter and chapter 290;

(3) the violation is due to an unintentional mistake of fact;

(4) imposing the penalty would be against equity and good conscience; and

(5) abating the penalty would promote compliance with the requirements of chapter 290.

(b) The exercise of authority under paragraph (a) is at the sole discretion of the commissioner and may not be delegated. Notwithstanding any other law or rule, a determination under this subdivision may not be reviewed in any administrative or judicial proceeding.

Sec. 13. Minnesota Statutes 2004, section 289A.60, is amended by adding a subdivision to read:

Subd. 31. [INTEREST COMPUTATION.] For an amended return filed after December 31, 2005, and before the taxpayer is contacted by the Internal Revenue Service or the commissioner regarding a potentially abusive tax shelter, then, for taxable years beginning after December 31, 2001, with respect to any understatement of tax related to using reportable transactions as defined in section 289A.121, the taxpayer is subject to interest at a rate of 150 percent of the applicable rate under section 270.75.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2005.

Sec. 14. [VOLUNTARY COMPLIANCE INITIATIVE.]

Subdivision 1. [ESTABLISHMENT.] The commissioner of revenue shall establish and administer a voluntary compliance initiative for taxpayers subject to Minnesota Statutes, section 289A.60, subdivision 26, 27, or 28.

Subd. 2. [TIME PERIOD; SCOPE.] (a) The commissioner shall conduct the voluntary compliance initiative from July 1, 2005, to December 31, 2005, under Minnesota Statutes, section 270.07.

(b) The voluntary compliance initiative applies to tax liabilities and penalties attributable to an abusive tax avoidance transaction for taxable years beginning before January 1, 2005. An abusive tax avoidance transaction means a listed transaction, a potentially abusive tax shelter, or a reportable transaction as those terms are used in Minnesota Statutes, section 289A.121.

Subd. 3. [ELIGIBILITY.] (a) No person may participate in the voluntary compliance initiative, if:

(1) the taxpayer was convicted of a crime in connection with an abusive tax avoidance transaction or transactions;

(2) a criminal complaint was filed against the taxpayer in connection with an abusive tax avoidance transaction or transactions;

(3) the taxpayer is the subject of a criminal investigation in connection with an abusive tax avoidance transaction or transactions; or

(4) the taxpayer was eligible to participate in the Internal Revenue Service's Offshore Voluntary Compliance Initiative, as set forth in Revenue Procedure 2003-11.

(b) A person not disqualified under paragraph (a) may participate in the voluntary compliance initiative.

Subd. 4. [ELECTION; COMMISSIONER AUTHORITY.] (a) An eligible taxpayer that meets the requirements of subdivision 3 with respect to any taxable year may elect to participate in the voluntary compliance program under either subdivision 5 or 6 for a particular tax avoidance period. The election must be made separately for each taxable year and in the form and manner prescribed by the commissioner, and once made is irrevocable.

(b) The commissioner of revenue may issue forms and instructions and take other actions necessary, including the use of agreements under Minnesota Statutes, section 270.67, to implement the voluntary compliance initiative.

Subd. 5. [PARTICIPATION WITHOUT RIGHT OF APPEAL.] (a) A person participating in the voluntary compliance initiative under this subdivision waives the right to an administrative appeal, to a claim for refund, or to file an action in district court or tax court. The person participating must:

(1) file an amended return for each taxable year for which the taxpayer has filed a tax return using an abusive tax avoidance transaction to underreport the taxpayer's tax liability for the taxable year. Each amended return must report all income from all sources, without regard to the abusive tax avoidance transactions; and

(2) pay taxes and interest due in full, except that the commissioner of revenue may enter into an installment payment agreement under Minnesota Statutes, section 270.67, before the taxpayer files an amended return.

(b) The commissioner of revenue shall abate all penalties imposed under Minnesota Statutes, chapter 289A, which could have been assessed in connection with the use of an abusive tax avoidance transaction, for each taxable year for which the taxpayer elects to participate in the voluntary compliance initiative under this subdivision, to the extent those penalties are a result of underreporting of tax liabilities attributable to the use of abusive tax avoidance transactions, for which a participating person files an amended return in compliance with paragraph (a).

(c) No criminal action must be brought against a taxpayer for the taxable years reported under the voluntary compliance initiative with respect to the issues for which a taxpayer voluntarily complies under this chapter.

(d) A person filing an amended return under this subdivision of the voluntary compliance initiative may not file a claim for refund, an administrative appeal, or an action in district court with regard to the amount of taxes or interest paid with the amended return. Nothing in this subdivision precludes a taxpayer from filing a claim for credit or refund for the same taxable year in which a tax avoidance transaction was reported if the credit or refund is not attributable to the tax avoidance transaction.

Subd. 6. [PARTICIPATION WITH RIGHT OF APPEAL.] (a) A person participating in the voluntary compliance initiative who does not waive the right to an administrative appeal, a claim for refund, or an action in district court must:

(1) file an amended return for each taxable year for which the taxpayer has filed a tax return using an abusive tax avoidance transaction to underreport the taxpayer's tax liability for that taxable year. Each amended return must report all income from all sources, without regard to the abusive tax avoidance transactions; and

(2) pay taxes and interest due in full, except that the commissioner of revenue may enter into an installment payment agreement pursuant to Minnesota Statutes, section 270.67, prior to the taxpayer filing an amended return.

(b) The commissioner of revenue shall abate all penalties imposed under Minnesota Statutes, chapter 289A, except for the penalty for substantial understatement of tax liability under Minnesota Statutes, section 289A.60, subdivision 4, determined without regard to paragraph (e) of that section, which could have been assessed in connection with the use of an abusive tax avoidance transaction, for each taxable year for which the taxpayer elects to participate in the voluntary compliance initiative under this subdivision, to the extent those penalties apply to underreporting of tax liabilities attributable to the use of abusive tax avoidance transactions for which a participating person files an amended return in compliance with paragraph (a).

(c) No criminal action must be brought against a taxpayer for the taxable years reported under the voluntary compliance initiative with respect to the issues for which a taxpayer voluntarily complies under this chapter.

(d) The taxpayer may file a claim for refund, an administrative appeal, or an action in district court only after the earlier of the following occurs:

(1) the date the commissioner of revenue takes action on the claim for refund for the taxable year;

(2) the later of:

(i) 180 days after the date of a final determination by the Internal Revenue Service with respect to the transaction or transactions to which Minnesota Statutes, chapter 290, applies; or

(ii) four years after the date the claim for refund was filed, or one year after full payment of all tax was made, including penalty and interest, whichever is later.

(e)(1) The taxpayer is subject to the substantial understatement penalty under Minnesota Statutes, section 289A.60, subdivision 4. The penalty may be assessed:

(i) when the commissioner of revenue takes action on the claim for refund; or

(ii) when a federal determination becomes final for the same issue, in which case the penalty must be assessed, and may not be abated, if the penalty was assessed at the federal level.

(2) In determining the amount of the underpayment of tax, Code of Federal Regulations, title 26, section 1.6664-2(c)(2), relating to qualified amended returns, applies. The underpayment is the difference between the amount of tax on the original return and the correct amount of tax for the taxable year. The underpayment must not be less than the amount of the claim for refund filed by the taxpayer under paragraph (d) that was denied.

(3) The penalty is due and payable upon notice and demand by the commissioner of revenue. Only after the taxpayer has paid all amounts due, including the penalty, and the claim is denied in whole or in part, may the taxpayer file an appeal under Minnesota Statutes, section 270.07, in conjunction with the appeal filed under paragraph (d).

Subd. 7. [COMMISSIONER ORDERS AND PENALTIES.] After December 31, 2005, the commissioner of revenue may issue an order of assessment within the time period permitted under Minnesota Statutes, section 289A.38, upon an amended return filed under this section for an underreported amount of tax, may impose penalties on an underreported amount of tax on an amended return filed under this chapter, or seek initiation of a criminal action against any person based on any underreported amount of tax on an amended return filed under this chapter.

Subd. 8. [PENALTY RELIEF; EXCEPTION.] For purposes of this section, if the commissioner subsequently determines that the correct amount of Minnesota income tax was not paid for the taxable year for a participant in the voluntary compliance initiative, then the penalty relief under this section does not apply to any portion of the underpayment attributable to a tax avoidance transaction not paid to the state.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 15. [APPROPRIATION.]

For purposes of administering the voluntary compliance initiative and the tax shelter registration and compliance provisions of this act, \$..... is appropriated from the general fund for fiscal year 2006 and \$..... for fiscal year 2007 to the commissioner of revenue. \$..... is added to the base budget.

ARTICLE 11

MISCELLANEOUS

Section 1. [15.60] [PUBLIC SAFETY OFFICERS; AMERICAN FLAG.]

(a) A public employer may not forbid a peace officer or firefighter from wearing a patch or pin depicting the flag of the United States of America on the employee's uniform, according to customary and standard flag etiquette. However, a public employer may limit the size of a flag patch worn on a uniform to no more than three inches by five inches.

(b) For purposes of this section:

(1) "peace officer" has the meaning given in section 626.84, subdivision 1, paragraph (c) or (f);

(2) "firefighter" means a person as defined in section 299A.41, subdivision 4, clause (3) or (4); and

(3) "public employer" has the meaning given in section 179A.03, subdivision 15, and also includes a municipal fire department and an independent nonprofit firefighting corporation.

(c) The commissioner of finance or the commissioner of revenue must suspend disbursement, not to exceed \$10,000, of any state appropriation or aid to any public employer whom the commissioner determines is not complying with paragraph (a) until the commissioner determines that the employer is in compliance.

Sec. 2. Minnesota Statutes 2004, section 16D.10, is amended to read:

16D.10 [CASE REVIEWER.]

Subdivision 1. [DUTIES.] The commissioner shall make a case reviewer available to debtors. The reviewer must be available to answer a debtor's questions concerning the collection process and to review the collection activity taken. If the reviewer reasonably believes that the particular action being taken is unreasonable or unfair, the reviewer may make recommendations to the commissioner in regard to the collection action.

Subd. 2. [AUTHORITY TO ISSUE DEBTOR ASSISTANCE ORDER.] On application filed by a debtor with the case reviewer, in the form, manner, and in the time prescribed by the commissioner, and after thorough investigation, the case reviewer may issue a debtor assistance order if, in the determination of the case reviewer, the manner in which the state debt collection laws are being administered is creating or will create an unjust and inequitable result for the debtor. Debtor assistance orders are governed by the provisions relating to taxpayer assistance orders under section 270.273.

Subd. 3. [TRANSFER OF DUTIES TO TAXPAYER RIGHTS ADVOCATE.] All duties and authority of the case reviewer under subdivisions 1 and 2 are transferred to the taxpayer rights advocate.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2004, section 270.02, subdivision 3, is amended to read:

Subd. 3. [POWERS, ORGANIZATION, ASSISTANTS.] Subject to the provisions of this chapter and other applicable laws the commissioner shall have power to organize the department with such divisions and other agencies as the commissioner deems necessary and to appoint one deputy commissioner, a department secretary, directors of divisions, and such other officers, employees, and agents as the commissioner may deem necessary to discharge the functions of the department, define the duties of such officers, employees, and agents, and delegate to them any of the commissioner's powers or duties, subject to the commissioner's control and under such conditions as the commissioner may prescribe. Appointments to exercise delegated power to sign documents which require the signature of the commissioner or a delegate by law shall be by written order filed with the secretary of state. The delegations of authority granted by the commissioner remain in effect until revoked by the commissioner or a successor commissioner.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 4. Minnesota Statutes 2004, section 270.30, subdivision 1, is amended to read:

Subdivision 1. [SCOPE.] (a) This section applies to a person who offers, provides, or facilitates the provision of refund anticipation loans, as part of or in connection with the provision of tax preparation services.

~~(b) This section does not apply to:~~

~~(1) a tax preparer who provides tax preparation services for fewer than six clients in a calendar year;~~

~~(2) the provision by a person of tax preparation services to a spouse, parent, grandparent, child, or sibling; and~~

~~(3) the provision of services by an employee for an employer.~~

Sec. 5. Minnesota Statutes 2004, section 270.30, subdivision 5, is amended to read:

Subd. 5. [ITEMIZED BILL REQUIRED.] A tax preparer must provide an itemized statement of the charges for services, at least separately stating the charges for:

- (1) return preparation; and
- (2) ~~electronic filing; and~~
- (3) providing or facilitating a refund anticipation loan.

Sec. 6. Minnesota Statutes 2004, section 270.30, is amended by adding a subdivision to read:

Subd. 5a. [NONGAME WILDLIFE CHECKOFF.] A tax preparer must give written notice of the option to contribute \$1 or more to the nongame wildlife management account in section 290.431 to corporate clients that file an income tax return and to individual clients who file an income tax return or property tax refund claim form. This notification must:

(1) include information on the nongame wildlife management account, that the contribution may be made by adding to the tax or deducting from the refund that would otherwise be payable by or to that individual or corporation, and that a contribution would be paid into an account established for the management of nongame wildlife; and

(2) be included with information sent to the client at the same time as the preliminary worksheets or other documents used in preparing the client's return and must include a line for displaying contributions.

[EFFECTIVE DATE.] This section is effective for returns prepared for taxable years beginning after December 31, 2004.

Sec. 7. Minnesota Statutes 2004, section 270.30, subdivision 6, is amended to read:

Subd. 6. [ENFORCEMENT; PENALTIES.] The commissioner may impose an administrative penalty of not more than \$1,000 per violation of subdivision 3, 4, or 5. The commissioner may terminate a tax preparer's authority to transmit returns electronically to the state, if the commissioner determines the tax preparer engaged in a pattern and practice of violating this section. Imposition of a penalty under this subdivision is subject to the contested case procedure under chapter 14. The commissioner shall collect the penalty in the same manner as the income tax. Penalties imposed under this subdivision are public data.

Sec. 8. Minnesota Statutes 2004, section 270.30, is amended by adding a subdivision to read:

Subd. 6a. [EXCHANGE OF DATA; STATE BOARD OF ACCOUNTANCY.] The State Board of Accountancy shall refer to the commissioner complaints it receives about tax preparers who are not subject to the jurisdiction of the State Board of Accountancy and who are alleged to have violated the provisions of subdivisions 3 to 5.

Sec. 9. Minnesota Statutes 2004, section 270.30, is amended by adding a subdivision to read:

Subd. 6b. [EXCHANGE OF DATA; LAWYERS BOARD OF PROFESSIONAL RESPONSIBILITY.] The Lawyers Board of Professional Responsibility may refer to the commissioner complaints it receives about tax preparers who are not subject to its jurisdiction and who are alleged to have violated the provisions of subdivisions 3 to 5.

Sec. 10. Minnesota Statutes 2004, section 270.30, is amended by adding a subdivision to read:

Subd. 6c. [EXCHANGE OF DATA; COMMISSIONER.] The commissioner shall refer complaints about tax preparers who are alleged to have violated the provisions of subdivisions 3 to 5 to:

- (1) the State Board of Accountancy, if the tax preparer is under its jurisdiction; and
- (2) the Lawyers Board of Professional Responsibility, if the tax preparer is under its jurisdiction.

Sec. 11. Minnesota Statutes 2004, section 270.30, is amended by adding a subdivision to read:

Subd. 6d. [DATA PRIVATE.] Information exchanged on individuals under subdivisions 6a to 6c are private data under section 13.02, subdivision 12, until such time as a penalty is imposed as provided in section 326A.08 or by the Lawyers Board of Professional Responsibility.

Sec. 12. Minnesota Statutes 2004, section 270.30, subdivision 8, is amended to read:

Subd. 8. [EXEMPTIONS; ENFORCEMENT PROVISIONS.] (a) The provisions of subdivisions 6 and 7 this section, except for subdivision 4, do not apply to:

- (1) an attorney admitted to practice under section 481.01;
- (2) a certified public accountant holding a certificate under section 326A.04 or a person issued a permit to practice under section 326A.05 or other person who is subject to the jurisdiction of the State Board of Accountancy;
- (3) a person designated as a registered accounting practitioner under Minnesota Rules, part 1105.6600, or a registered accounting practitioner firm issued a permit under Minnesota Rules, part 1105.7100;
- (4) an enrolled agent who has passed the special enrollment examination administered by the Internal Revenue Service; and
- (5) (4) any fiduciary, or the regular employees of a fiduciary, while acting on behalf of the fiduciary estate, the testator, trustor, grantor, or beneficiaries of them;

(5) a tax preparer who provides tax preparation services for fewer than six clients in a calendar year;

(6) tax preparation services to a spouse, parent, grandparent, child, or sibling of the tax preparer; and

(7) the preparation by an employee of the tax return of the employee's employer.

Sec. 13. [270.301] [PUBLICATION OF NAMES OF TAX PREPARERS SUBJECT TO PENALTIES.]

Subdivision 1. [PUBLICATION OF LIST.] Notwithstanding any other law, the commissioner must publish as provided in this section a list or lists of tax preparers subject to penalties.

Subd. 2. [REQUIRED AND EXCLUDED TAX PREPARERS.] (a) Subject to the limitations of paragraph (b), the commissioner must publish lists of tax preparers who have been convicted under section 289A.63.

(b) For the purposes of this section, tax preparers are not subject to publication if:

(1) an administrative or court action contesting the penalty has been filed or served and is unresolved at the time when notice would be given under subdivision 3;

(2) an appeal period to contest the penalty has not expired; or

(3) the commissioner has been notified that the tax preparer is deceased.

Subd. 3. [NOTICE TO TAX PREPARER.] (a) At least 30 days before publishing the name of a tax preparer subject to penalty, the commissioner shall mail a written notice to the tax preparer, detailing the amount and nature of each penalty and the intended publication of the information listed in subdivision 4 related to the penalty. The notice must be mailed by first class and certified mail addressed to the last known address of the tax preparer. The notice must include information regarding the exceptions listed in subdivision 2, paragraph (b), and must state that the tax preparer's information will not be published if the tax preparer provides information establishing that subdivision 2, paragraph (b), prohibits publication of the tax preparer's name.

(b) Thirty days after the notice is mailed and if the tax preparer has not proved to the commissioner that subdivision 2, paragraph (b), prohibits publication, the commissioner may publish in a list of tax preparers subject to penalty the information about the tax preparer that is listed in subdivision 4.

Subd. 4. [FORM OF LIST.] The list may be published by any medium or method. The list must contain the name, associated business name or names, address or addresses, and violation or violations for which a penalty was imposed of each tax preparer subject to penalty.

Subd. 5. [REMOVAL FROM LIST.] The commissioner shall remove the name of a tax preparer from the list of tax preparers published under this section:

(1) when the commissioner determines that the name was included on the list in error;

(2) within 90 days after the preparer has fully paid all fines imposed, served any suspension, and demonstrated to the satisfaction of the commissioner that the preparer has successfully completed any remedial actions required by the commissioner, the State Board of Accountancy, or the Lawyers Board of Professional Responsibility; or

(3) when the commissioner has been notified that the tax preparer is deceased.

Subd. 6. [NAMES PUBLISHED IN ERROR.] If the commissioner publishes a name under subdivision 1 in error, the tax preparer whose name was erroneously published has a right to request a retraction and apology. If the tax preparer so requests, the commissioner shall publish a retraction and apology acknowledging that the tax preparer's name was published in error. The retraction and apology must appear in the same medium and the same format as the original list that contained the name listed in error.

Subd. 7. [PAYMENT OF DAMAGES.] Actions against the commissioner of revenue or the state of Minnesota arising out of the implementation of this program must be brought under section 270.276.

[EFFECTIVE DATE.] The provision of this section requiring the commissioner to publish the names of tax preparers applies only to publishing the names of those tax preparers who commit a crime under section 289A.63 on or after August 1, 2005.

Sec. 14. Minnesota Statutes 2004, section 270.65, is amended to read:

270.65 [DATE OF ASSESSMENT; DEFINITION.]

For purposes of taxes administered by the commissioner, the term "date of assessment" means the date a liability reported on a return was entered into the records of the commissioner or the date a return should have been filed, whichever is later; or, in the case of taxes determined by the commissioner, "date of assessment" means the date of the order assessing taxes or date of the return made by the commissioner; or, in the case of an amended return filed by the taxpayer, the assessment date is the date additional liability reported on the return, if any, was entered into the records of the commissioner; or, in the case of a consent agreement signed by the taxpayer under section 270.67, subdivision 3, the assessment date is the notice date shown on the agreement; or, in the case of a check from a taxpayer that is dishonored and results in an erroneous refund being given to the taxpayer, remittance of the check is deemed to be an assessment and the "date of assessment" is the date the check was received by the commissioner.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 15. Minnesota Statutes 2004, section 270.67, subdivision 4, is amended to read:

Subd. 4. [OFFER-IN-COMPROMISE AND INSTALLMENT PAYMENT PROGRAM.] (a) In implementing the authority provided in subdivision 2 or in sections 8.30 and 16D.15 to accept offers of installment payments or offers-in-compromise of tax liabilities, the commissioner of revenue shall prescribe guidelines for employees of the Department of Revenue to determine whether an offer-in-compromise or an offer to make installment payments is adequate and should be accepted to resolve a dispute. In prescribing the guidelines, the commissioner shall develop and publish schedules of national and local allowances designed to provide that taxpayers entering into a compromise or payment agreement have an adequate means to provide for basic living expenses. The guidelines must provide that the taxpayer's ownership interest in a motor vehicle, to the extent of the value allowed in section 550.37, will not be considered as an asset; in the case of an offer related to a joint tax liability of spouses, that value of two motor vehicles must be excluded. The guidelines must provide that employees of the department shall determine, on the basis of the facts and circumstances of each taxpayer, whether the use of the schedules is appropriate and that employees must not use the schedules to the extent the use would result in the taxpayer not having adequate means to provide for basic living expenses. The guidelines must provide that:

(1) an employee of the department shall not reject an offer-in-compromise or an offer to make installment payments from a low-income taxpayer solely on the basis of the amount of the offer; and

(2) in the case of an offer-in-compromise which relates only to issues of liability of the taxpayer:

(i) the offer must not be rejected solely because the commissioner is unable to locate the taxpayer's return or return information for verification of the liability; and

(ii) the taxpayer shall not be required to provide an audited, reviewed, or compiled financial statement.

(b) The commissioner shall establish procedures:

(1) that require presentation of a counteroffer or a written rejection of the offer by the commissioner if the amount offered by the taxpayer in an offer-in-compromise or an offer to make installment payments is not accepted by the commissioner;

(2) for an administrative review of any written rejection of a proposed offer-in-compromise or installment agreement made by a taxpayer under this section before the rejection is communicated to the taxpayer;

(3) that allow a taxpayer to request reconsideration of any written rejection of the offer or agreement to the commissioner of revenue to determine whether the rejection is reasonable and appropriate under the circumstances; and

(4) that provide for notification to the taxpayer when an offer-in-compromise has been accepted, and issuance of certificates of release of any liens imposed under section 270.69 related to the liability which is the subject of the compromise.

(c) Each compromise proposal must be accompanied by a nonrefundable payment of \$250. If the compromise proposal is accepted, the payment must be applied to the accepted compromise amount. If the compromise is rejected, the payment must be applied to the outstanding tax debts of the taxpayer pursuant to section 270.652. In cases of financial hardship, upon presentation of information establishing an inability to make the \$250 payment, the commissioner may waive this requirement.

[EFFECTIVE DATE.] This section is effective for offers in compromise submitted after August 31, 2005.

Sec. 16. Minnesota Statutes 2004, section 270.69, subdivision 4, is amended to read:

Subd. 4. [PERIOD OF LIMITATIONS.] The lien imposed by this section shall, notwithstanding any other provision of law to the contrary, be enforceable from the time the lien arises and for ten years from the date of filing the notice of lien, which must be filed by the commissioner within five years after the date of assessment of the tax or final administrative or judicial determination of the assessment. A notice of lien filed in one county may be transcribed to the secretary of state or to any other county within ten years after the date of its filing, but the transcription shall not extend the period during which the lien is enforceable. A notice of lien may be renewed by the commissioner before the expiration of the ten-year period for an additional ten years. The taxpayer must receive written notice of the renewal.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 17. Minnesota Statutes 2004, section 270A.03, subdivision 5, is amended to read:

Subd. 5. [DEBT.] "Debt" means a legal obligation of a natural person to pay a fixed and certain amount of money, which equals or exceeds \$25 and which is due and payable to a claimant agency. The term includes criminal fines imposed under section 609.10 or 609.125, fines imposed for petty misdemeanors as defined in section 609.02, subdivision 4a, and restitution. The term also includes the co-payment for the appointment of a district public defender imposed under section 611.17, paragraph (c). A debt may arise under a contractual or statutory obligation, a court order, or other legal obligation, but need not have been reduced to judgment.

A debt includes any legal obligation of a current recipient of assistance which is based on overpayment of an assistance grant where that payment is based on a client waiver or an administrative or judicial finding of an intentional program violation; or where the debt is owed to a program wherein the debtor is not a client at the time notification is provided to initiate recovery under this chapter and the debtor is not a current recipient of food support, transitional child care, or transitional medical assistance.

A debt does not include any legal obligation to pay a claimant agency for medical care, including hospitalization if the income of the debtor at the time when the medical care was rendered does not exceed the following amount:

- (1) for an unmarried debtor, an income of \$8,800 or less;
- (2) for a debtor with one dependent, an income of \$11,270 or less;

- (3) for a debtor with two dependents, an income of \$13,330 or less;
- (4) for a debtor with three dependents, an income of \$15,120 or less;
- (5) for a debtor with four dependents, an income of \$15,950 or less; and
- (6) for a debtor with five or more dependents, an income of \$16,630 or less.

The income amounts in this subdivision shall be adjusted for inflation for debts incurred in calendar years 2001 and thereafter. The dollar amount of each income level that applied to debts incurred in the prior year shall be increased in the same manner as provided in section 1(f) of the Internal Revenue Code of 1986, as amended through December 31, 2000, except that for the purposes of this subdivision the percentage increase shall be determined from the year starting September 1, 1999, and ending August 31, 2000, as the base year for adjusting for inflation for debts incurred after December 31, 2000.

Debt also includes an agreement to pay a MinnesotaCare premium, regardless of the dollar amount of the premium authorized under section 256L.15, subdivision 1a.

Sec. 18. Minnesota Statutes 2004, section 270A.03, subdivision 7, is amended to read:

Subd. 7. [REFUND.] "Refund" means an individual income tax refund ~~or political contribution refund, pursuant to chapter 290,~~ or a property tax credit or refund, pursuant to chapter 290A, or a sustainable forest tax payment to a claimant under chapter 290C.

For purposes of this chapter, lottery prizes, as set forth in section 349A.08, subdivision 8, and amounts granted to persons by the legislature on the recommendation of the joint senate-house of representatives Subcommittee on Claims shall be treated as refunds.

In the case of a joint property tax refund payable to spouses under chapter 290A, the refund shall be considered as belonging to each spouse in the proportion of the total refund that equals each spouse's proportion of the total income determined under section 290A.03, subdivision 3. In the case of a joint income tax refund under chapter 289A, the refund shall be considered as belonging to each spouse in the proportion of the total refund that equals each spouse's proportion of the total taxable income determined under section 290.01, subdivision 29. The commissioner shall remit the entire refund to the claimant agency, which shall, upon the request of the spouse who does not owe the debt, determine the amount of the refund belonging to that spouse and refund the amount to that spouse. For court fines, fees, and surcharges and court-ordered restitution under section 611A.04, subdivision 2, the notice provided by the commissioner of revenue under section 270A.07, subdivision 2, paragraph (b), serves as the appropriate legal notice to the spouse who does not owe the debt.

[EFFECTIVE DATE.] This section is effective for political contribution refund claims based on contributions made on or after July 1, 2005.

Sec. 19. Minnesota Statutes 2004, section 289A.08, subdivision 16, is amended to read:

Subd. 16. [TAX REFUND OR RETURN PREPARERS; ELECTRONIC FILING; PAPER FILING FEE IMPOSED.] (a) A "tax refund or return preparer," as defined in section 289A.60, subdivision 13, paragraph ~~(g)~~ (h), who prepared more than ~~500~~ 100 Minnesota individual income tax returns for the prior calendar year must file all Minnesota individual income tax returns prepared for the current calendar year by electronic means.

- (b) ~~For tax returns prepared for the tax year beginning in 2001, the "500" in paragraph (a) is reduced to 250.~~

~~(c) For tax returns prepared for tax years beginning after December 31, 2001, the "500" in paragraph (a) is reduced to 100.~~

~~(d)~~ Paragraph (a) does not apply to a return if the taxpayer has indicated on the return that the taxpayer did not want the return filed by electronic means.

~~(e)~~ (c) For each return that is not filed electronically by a tax refund or return preparer under this subdivision, including returns filed under paragraph ~~(d)~~ (b), a paper filing fee of \$5 is imposed upon the preparer. The fee is collected from the preparer in the same manner as income tax. The fee does not apply to returns that the commissioner requires to be filed in paper form.

Sec. 20. Minnesota Statutes 2004, section 289A.37, subdivision 5, is amended to read:

Subd. 5. [SUFFICIENCY OF NOTICE.] An order of assessment, sent postage prepaid by United States mail to the taxpayer at the taxpayer's last known address, or sent by electronic mail to the taxpayer's last known electronic mailing address as provided for in section 325L.08, is sufficient even if the taxpayer is deceased or is under a legal disability, or, in the case of a corporation, has terminated its existence, unless the department has been provided with a new address by a party authorized to receive notices of assessment.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 21. Minnesota Statutes 2004, section 289A.50, subdivision 1, is amended to read:

Subdivision 1. [GENERAL RIGHT TO REFUND.] (a) Subject to the requirements of this section and section 289A.40, a taxpayer who has paid a tax in excess of the taxes lawfully due and who files a written claim for refund will be refunded or credited the overpayment of the tax determined by the commissioner to be erroneously paid.

(b) The claim must specify the name of the taxpayer, the date when and the period for which the tax was paid, the kind of tax paid, the amount of the tax that the taxpayer claims was erroneously paid, the grounds on which a refund is claimed, and other information relative to the payment and in the form required by the commissioner. An income tax, estate tax, or corporate franchise tax return, or amended return claiming an overpayment constitutes a claim for refund.

(c) When, in the course of an examination, and within the time for requesting a refund, the commissioner determines that there has been an overpayment of tax, the commissioner shall refund or credit the overpayment to the taxpayer and no demand is necessary. If the overpayment exceeds \$1, the amount of the overpayment must be refunded to the taxpayer. If the amount of the overpayment is less than \$1, the commissioner is not required to refund. In these situations, the commissioner does not have to make written findings or serve notice by mail to the taxpayer.

(d) If the amount allowable as a credit for withholding, estimated taxes, or dependent care exceeds the tax against which the credit is allowable, the amount of the excess is considered an overpayment. ~~The refund allowed by section 290.06, subdivision 23, is also considered an overpayment.~~ The requirements of section 270.10, subdivision 1, do not apply to the refunding of such an overpayment shown on the original return filed by a taxpayer.

(e) If the entertainment tax withheld at the source exceeds by \$1 or more the taxes, penalties, and interest reported in the return of the entertainment entity or imposed by section 290.9201, the excess must be refunded to the entertainment entity. If the excess is less than \$1, the commissioner need not refund that amount.

(f) If the surety deposit required for a construction contract exceeds the liability of the out-of-state contractor, the commissioner shall refund the difference to the contractor.

(g) An action of the commissioner in refunding the amount of the overpayment does not constitute a determination of the correctness of the return of the taxpayer.

(h) There is appropriated from the general fund to the commissioner of revenue the amount necessary to pay refunds allowed under this section.

[EFFECTIVE DATE.] This section is effective for political contribution refund claims based on contributions made on or after July 1, 2005.

Sec. 22. Minnesota Statutes 2004, section 289A.60, subdivision 2a, is amended to read:

Subd. 2a. **[PENALTIES FOR EXTENDED DELINQUENCY.]** (a) If an individual income tax is not paid within 180 days after the date of filing of a return or, in the case of taxes assessed by the commissioner, within 180 days after the assessment date or, if appealed, within 180 days after final resolution of the appeal, an extended delinquency penalty of five percent of the tax remaining unpaid is added to the amount due.

(b) ~~If a corporate franchise, fiduciary income, mining company, estate, partnership, S corporation, or nonresident entertainer tax return is not filed within 30 days after written demand for the filing of a delinquent return, an extended delinquency penalty of five percent of the tax not paid prior to the demand is added to the tax, or in the case of an individual income tax return, a minimum penalty of \$100 or the five percent penalty is imposed, whichever amount is greater.~~

[EFFECTIVE DATE.] This section is effective for returns originally due on or after August 1, 2005.

Sec. 23. Minnesota Statutes 2004, section 289A.60, subdivision 6, is amended to read:

Subd. 6. **[PENALTY FOR FAILURE TO FILE, FALSE OR FRAUDULENT RETURN, EVASION.]** If a person, with intent to evade or defeat a tax or payment of tax, fails to file a return, files a false or fraudulent return, or attempts in any other manner to evade or defeat a tax or payment of tax, there is imposed on the person a penalty equal to 50 percent of the tax, less amounts paid by the person on the basis of the false or fraudulent return, if any, due for the period to which the return related.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 24. Minnesota Statutes 2004, section 289A.60, subdivision 11, is amended to read:

Subd. 11. **[PENALTIES RELATING TO INFORMATION REPORTS, WITHHOLDING.]** (a) When a person required under section 289A.09, subdivision 2, to give a statement to an employee or payee and a duplicate statement to the commissioner, or to give a reconciliation of the statements and quarterly returns to the commissioner, gives a false or fraudulent statement to an employee or payee or a false or fraudulent duplicate statement or reconciliation of statements and quarterly returns to the commissioner, or fails to give a statement or the reconciliation in the manner, when due, and showing the information required by section 289A.09, subdivision 2, or rules prescribed by the commissioner under that section, that person is liable for a penalty of \$50 for an act or failure to act. The total amount imposed on the delinquent person for failures during a calendar year must not exceed \$25,000.

(b) In addition to any other penalty provided by law, an employee who gives a withholding exemption certificate or a residency affidavit to an employer that ~~the employee has reason to know contains a materially incorrect statement~~ decreases the amount withheld under section 290.92 and as of the time the certificate or affidavit was given to the employer there was no reasonable basis for the statements in the certificate or affidavit is liable to the commissioner of revenue for a penalty of \$500 for each instance.

(c) In addition to any other penalty provided by law, an employer who fails to submit a copy of a withholding exemption certificate or a residency affidavit required by section 290.92, subdivision 5a, clause (1)(a), (1)(b), or (2) is liable to the commissioner of revenue for a penalty of \$50 for each instance.

(d) An employer or payor who fails to file an application for a withholding account number, as required by section 290.92, subdivision 24, is liable to the commissioner for a penalty of \$100.

[EFFECTIVE DATE.] This section is effective for certificates and affidavits given to employers after December 31, 2005.

Sec. 25. Minnesota Statutes 2004, section 289A.60, subdivision 13, is amended to read:

Subd. 13. [PENALTIES FOR TAX RETURN PREPARERS.] (a) If an understatement of liability with respect to a return or claim for refund is due to a willful attempt in any manner to understate the liability for a tax by a person who is a tax return preparer with respect to the return or claim, the person shall pay to the commissioner a penalty of \$500. If a part of a property tax refund claim is excessive due to a willful attempt in any manner to overstate the claim for relief allowed under chapter 290A by a person who is a tax refund or return preparer, the person shall pay to the commissioner a penalty of \$500 with respect to the claim. These penalties may not be assessed against the employer of a tax return preparer unless the employer was actively involved in the willful attempt to understate the liability for a tax or to overstate the claim for refund. These penalties are income tax liabilities and may be assessed at any time as provided in section 289A.38, subdivision 5.

(b) A civil action in the name of the state of Minnesota may be commenced to enjoin any person who is a tax return preparer doing business in this state from further engaging in any conduct described in paragraph (c). An action under this paragraph must be brought by the attorney general in the district court for the judicial district of the tax return preparer's residence or principal place of business, or in which the taxpayer with respect to whose tax return the action is brought resides. The court may exercise its jurisdiction over the action separate and apart from any other action brought by the state of Minnesota against the tax return preparer or any taxpayer.

(c) In an action under paragraph (b), if the court finds that a tax return preparer has:

(1) engaged in any conduct subject to a civil penalty under section 289A.60 or a criminal penalty under section 289A.63;

(2) misrepresented the preparer's eligibility to practice before the Department of Revenue, or otherwise misrepresented the preparer's experience or education as a tax return preparer;

(3) guaranteed the payment of any tax refund or the allowance of any tax credit; or

(4) engaged in any other fraudulent or deceptive conduct that substantially interferes with the proper administration of state tax law, and injunctive relief is appropriate to prevent the recurrence of that conduct,

the court may enjoin the person from further engaging in that conduct.

(d) If the court finds that a tax return preparer has continually or repeatedly engaged in conduct described in paragraph (c), and that an injunction prohibiting that conduct would not be sufficient to prevent the person's interference with the proper administration of state tax laws, the court may enjoin the person from acting as a tax return preparer. The court may not enjoin the employer of a tax return preparer for conduct described in paragraph (c) engaged in by one or more of the employer's employees unless the employer was also actively involved in that conduct.

(e) The commissioner may terminate or suspend a tax preparer's authority to transmit returns electronically to the state, if the commissioner determines that the tax preparer has engaged in a pattern and practice of conduct in violation of paragraph (a) of this subdivision or has been convicted under section 289A.63.

(f) For purposes of this subdivision, the term "understatement of liability" means an understatement of the net amount payable with respect to a tax imposed by state tax law, or an overstatement of the net amount creditable or refundable with respect to a tax. The determination of whether or not there is an understatement of liability must be made without regard to any administrative or judicial action involving the taxpayer. For purposes of this subdivision, the amount determined for underpayment of estimated tax under either section 289A.25 or 289A.26 is not considered an understatement of liability.

~~(f)~~ (g) For purposes of this subdivision, the term "overstatement of claim" means an overstatement of the net amount refundable with respect to a claim for property tax relief provided by chapter 290A. The determination of whether or not there is an overstatement of a claim must be made without regard to administrative or judicial action involving the claimant.

~~(g)~~ (h) For purposes of this section, the term "tax refund or return preparer" means an individual who prepares for compensation, or who employs one or more individuals to prepare for compensation, a return of tax, or a claim for refund of tax. The preparation of a substantial part of a return or claim for refund is treated as if it were the preparation of the entire return or claim for refund. An individual is not considered a tax return preparer merely because the individual:

(1) gives typing, reproducing, or other mechanical assistance;

(2) prepares a return or claim for refund of the employer, or an officer or employee of the employer, by whom the individual is regularly and continuously employed;

(3) prepares a return or claim for refund of any person as a fiduciary for that person; or

(4) prepares a claim for refund for a taxpayer in response to a tax order issued to the taxpayer.

Sec. 26. Minnesota Statutes 2004, section 290.01, subdivision 6, is amended to read:

Subd. 6. [TAXPAYER.] The term "taxpayer" means any person or corporation subject to a tax imposed by this chapter. ~~For purposes of section 290.06, subdivision 23, the term "taxpayer" means an individual eligible to vote in Minnesota under section 201.014.~~

[EFFECTIVE DATE.] This section is effective for political contribution refund claims based on contributions that are made on or after July 1, 2005.

Sec. 27. Minnesota Statutes 2004, section 290.92, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] (1) [WAGES.] For purposes of this section, the term "wages" means the same as that term is defined in section 3401(a) and (f) of the Internal Revenue Code.

(2) [PAYROLL PERIOD.] For purposes of this section the term "payroll period" means a period for which a payment of wages is ordinarily made to the employee by the employee's employer, and the term "miscellaneous payroll period" means a payroll period other than a daily, weekly, biweekly, semimonthly, monthly, quarterly, semiannual, or annual payroll period.

(3) [EMPLOYEE.] For purposes of this section the term "employee" means any resident individual performing services for an employer, either within or without, or both within and without the state of Minnesota, and every nonresident individual performing services within the state of Minnesota, the performance of which services constitute, establish, and determine the relationship between the parties as that of employer and employee. As used in the preceding sentence, the term "employee" includes an officer of a corporation, and an officer, employee, or elected official of the United States, a state, or any political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing.

(4) [EMPLOYER.] For purposes of this section the term "employer" means any person, including individuals, fiduciaries, estates, trusts, partnerships, limited liability companies, and corporations transacting business in or deriving any income from sources within the state of Minnesota for whom an individual performs or performed any service, of whatever nature, as the employee of such person, except that if the person for whom the individual performs or performed the services does not have ~~legal~~ control of the payment of the wages for such services, the term "employer," except for purposes of paragraph (1), means the person having ~~legal~~ control of the payment of such wages. As used in the preceding sentence, the term "employer" includes any corporation, individual, estate, trust, or organization which is exempt from taxation under section 290.05 and further includes, but is not limited to, officers of corporations who have ~~legal~~ control, either individually or jointly with another or others, of the payment of the wages.

(5) [NUMBER OF WITHHOLDING EXEMPTIONS CLAIMED.] For purposes of this section, the term "number of withholding exemptions claimed" means the number of withholding exemptions claimed in a withholding exemption certificate in effect under subdivision 5, except that if no such certificate is in effect, the number of withholding exemptions claimed shall be considered to be zero.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 28. Minnesota Statutes 2004, section 325D.33, subdivision 6, is amended to read:

Subd. 6. [VIOLATIONS.] If the commissioner determines that a distributor is violating any provision of this chapter, the commissioner must give the distributor a written warning explaining the violation and an explanation of what must be done to comply with this chapter. Within ten days of issuance of the warning, the distributor must notify the commissioner that the distributor has complied with the commissioner's recommendation or request that the commissioner set the issue for a hearing pursuant to chapter 14. If a hearing is requested, the hearing shall be scheduled within 20 days of the request and the recommendation of the administrative law judge shall be issued within five working days of the close of the hearing. The commissioner's final determination shall be issued within five working days of the receipt of the administrative law judge's recommendation. If the commissioner's final determination is adverse to the distributor and the distributor does not comply within ten days of receipt of the commissioner's final determination, the commissioner may order the distributor to immediately cease the stamping of cigarettes. As soon as practicable after the order, the commissioner must remove the meter and any unapplied cigarette stamps from the premises of the distributor.

If within ten days of issuance of the written warning the distributor has not complied with the commissioner's recommendation or requested a hearing, the commissioner may order the distributor to immediately cease the stamping of cigarettes and remove the meter and unapplied stamps from the distributor's premises.

~~If, within any 12 month period, the commissioner has issued three written warnings to any distributor, even if the distributor has complied within ten days, the commissioner shall notify the distributor of the commissioner's intent to revoke the distributor's license for a continuing course of conduct contrary to this chapter. For purposes of this paragraph, a written warning that was ultimately resolved by removal of the warning by the commissioner is not deemed to be a warning. The commissioner must notify the distributor of the date and time of a hearing pursuant to chapter 14 at least 20 days before the hearing is held. The hearing must provide an opportunity for the distributor to show cause why the license should not be revoked. If the commissioner revokes a distributor's license, the commissioner shall not issue a new license to that distributor for 180 days.~~

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 29. [459.21] [GAMBLING SUBSIDIES; REFERENDUM APPROVAL.]

No city or county may provide an exemption from a tax or fee, an abatement of a tax, or fee or any other type of public subsidy to an enterprise engaged in gambling, unless the question of whether to provide the exemption, abatement, or subsidy has been submitted to the voters at a special or general election and a majority of the votes cast on the question are in the affirmative.

For purposes of this section, "gambling" means conducting class III gaming as defined in United States Code, title 25, section 2703.

[EFFECTIVE DATE.] This section is effective the day following enactment.

Sec. 30. Minnesota Statutes 2004, section 645.44, is amended by adding a subdivision to read:

Subd. 19. [FEE AND TAX.] (a) "Tax" means any fee, charge, exaction, or assessment imposed by a governmental entity on an individual, person, entity, transaction, good, service, or other thing. It excludes a price that an individual or entity chooses voluntarily to pay in return for receipt of goods or services provided by the governmental entity. A government good or service does not include access to or the authority to engage in private market transactions with a nongovernmental party, such as licenses to engage in a trade, profession, or business or to improve private property.

(b) For purposes of applying the laws of this state, a "fee," "charge," or other similar term that satisfies the functional requirements of paragraph (a) must be treated as a tax for all purposes, regardless of whether the statute or law names or describes it as a tax. The provisions of this subdivision do not preempt or supersede limitations under statute or law that apply to fees, charges, or assessments.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 31. [TAX REFORM COMMISSION.]

Subdivision 1. [COMMISSION ESTABLISHED.] A tax reform action commission is established in the legislative branch to study the Minnesota tax and revenue system and to make recommendations to the legislature.

Subd. 2. [MEMBERSHIP.] (a) The commission consists of 15 members, appointed as follows:

(1) three members appointed by the governor, two from the executive branch and one from private life;

(2) four members appointed by the majority leader of the senate, two members of the senate and two from private life;

(3) two members appointed by the minority leader of the senate, one member of the senate and one from private life;

(4) four members appointed by the speaker of the house of representatives, two members of the house of representatives and two from private life; and

(5) two members appointed by the minority leader of the house of representatives, one member of the house of representatives and one from private life.

(b) The appointing authority shall select members who are of recognized standing and distinction and who possess demonstrated capacity to discharge the duties of the commission. In making appointments, the appointing authorities shall attempt to appoint some individuals to the commission who have special experience or knowledge in taxation, economics, and accounting.

(c) The governor shall designate a member of the commission as its chair who shall determine its duties and supervise its staff.

(d) The appointing authorities shall appoint members of the commission not more than 30 days after enactment of this section. Members serve for the life of the commission. A vacancy in the commission membership does not affect the power of the remaining members to execute the duties of the commission. A vacancy in commission membership is filled in the same manner in which the original appointment was made.

Subd. 3. [DUTIES; REPORT.] (a) The commission shall study and evaluate the Minnesota state and local tax and revenue system with a goal of making long-term improvements in the system for the citizens of the state, given standard principles of good tax policy and the background of expected demographic and economic changes in the state, nation, and world. The commission's recommendations must be done on a revenue neutral basis. In particular, the commission shall examine:

(1) the mix of state revenues between tax revenues and fees and charges for services used or benefits received;

(2) the implications of likely demographic and economic changes, affecting both (i) the demands for state and local government services and (ii) taxes and other revenues; and

(3) the extent to which the existing tax system and the commission's proposal satisfy the following basic tax policy principles:

(i) equity or fairness, including measures based on ability to pay, equal treatment of equals, and payment for benefits received;

(ii) neutrality or efficiency, the extent to which the effects on private market decisions are minimized;

(iii) revenue adequacy, the extent to which the revenues are stable and predictable and grow with increases in income or economic activity;

(iv) competitiveness, the extent to which negative effects on the state's attractiveness as a location for investment, working, and living are minimized;

(v) simplicity, the extent to which it is easy to understand;

(vi) ease of compliance and administration, the extent to which taxpayers can easily comply and the government can easily administer it; and

(vii) visibility or accountability, the extent to which the taxes or other charges are clear and apparent to their payers as a cost of government and that the government officials imposing the tax are accountable, through election or otherwise, to the principal payers of the tax.

(b) The commission shall report to the legislature as provided in this paragraph. Each report must include the commission's evaluation of the tax or taxes, its recommendations for reform and improvement of the tax or taxes on a revenue neutral basis, its rationale for the proposed changes, and a draft bill implementing the commission's recommendation for introduction in the legislature. The reports must be submitted by the following dates:

(1) corporate and other business taxation, including the credit for increasing research activities, by July 1, 2007;

(2) general sales and motor vehicle sales and special excise taxes by July 1, 2008;

(3) individual income taxation by July 1, 2009; and

(4) estate, insurance premium, MinnesotaCare, and all other taxes not covered by clauses (1) to (3) by July 1, 2010.

Subd. 4. [PER DIEM AND EXPENSES.] Members of the commission may be compensated and receive reimbursement for expenses, as provided for members of advisory councils under Minnesota Statutes, section 15.059, subdivision 3. This subdivision does not apply to members of the legislature or state employees.

Subd. 5. [STAFF.] The commission may employ staff as it deems appropriate to carry out its duties or use existing legislative and executive branch staff. All staff are in the unclassified state service. Legislative staff and the Department of Revenue staff must provide research, bill drafting, and other services to the commission upon its request. The commission may contract with consultants for research and other services and enter other contracts, as it deems necessary or appropriate to carry out its duties. These contracts are not subject to the requirements of Minnesota Statutes, chapter 16C.

Subd. 6. [EXPIRATION.] The commission terminates 30 days after transmitting its final report to the legislature under subdivision 3, paragraph (b).

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 32. [TRANSFER.]

On July 1, 2005, the commissioner of finance shall transfer \$3,408,000 and any additional amount from the tax relief account under Minnesota Statutes, section 16A.1522, subdivision 4, to the general fund.

Sec. 33. [APPROPRIATION.]

(a) \$125,000 in fiscal year 2006 and \$125,000 in fiscal year 2007 are appropriated from the general fund to the commissioner of revenue to make grants to one or more nonprofit organizations, qualifying under section 501(c)(3) of the Internal Revenue Code of 1986, to coordinate, facilitate, encourage, and aid in the provision of taxpayer assistance services. This is a onetime appropriation and is not added to the base.

(b) "Taxpayer assistance services" mean accounting and tax preparation services provided by volunteers to low-income and disadvantaged Minnesota residents to help them file federal and state income tax returns and Minnesota property tax refund claims and to provide personal representation before the Department of Revenue and Internal Revenue Service.

Sec. 34. [REPEALER.]

(a) Minnesota Statutes 2004, section 10A.322, subdivision 4, is repealed effective July 1, 2005.

(b) Minnesota Statutes 2004, section 16A.1522, subdivision 4, is repealed effective July 2, 2005.

(c) Minnesota Statutes 2004, section 290.06, subdivision 23, is repealed effective for contributions made after June 30, 2005."

Delete the title and insert:

"A bill for an act relating to financing and operation of government in this state; modifying truth in taxation provisions and adding a taxpayer satisfaction survey; changing income, corporate franchise, withholding, estate, property, sales and use, mortgage registry, health care gross revenues, motor fuels, gambling, cigarette and tobacco products, occupation, net proceeds, production, liquor, insurance, and other taxes and tax-related provisions; making technical, clarifying, collection, enforcement, refund, and administrative changes to certain taxes and tax-related provisions, tax-forfeited lands, revenue recapture, unfair cigarette sales, state debt collection, sustainable forest incentive programs, and payments in lieu of taxes; changing local government aids and credits; providing for determination of population for certain purposes; updating references to the Internal Revenue Code, changing property tax exemptions, assessment, valuation, classification, class rates, levies, deferral, review and equalization, appeals, notices and statements, and distribution provisions; changing rent constituting property taxes and property tax refunds; changing provisions relating to regional rail authorities; authorizing special taxing districts; requiring state contracts be with vendors registered to collect use taxes; abolishing the political contribution refund; authorizing certain local sales taxes; providing for compliance with streamlined sales tax agreement; changing the taxation of liquor and cigarettes; authorizing income tax checkoffs; requiring registration of tax shelters and providing for a voluntary compliance initiative; changing job opportunity building zones, border city development zones, biotechnology and health sciences industry zone provisions; limiting sales tax construction exemption in job zones to businesses paying prevailing wage; requiring a referendum for certain subsidies to gambling enterprises; authorizing charges for certain emergency services; imposing a franchise fee on card clubs; defining the term "tax"; regulating tax preparers; suspending appropriations or aids to public employers who prohibit certain employees from wearing a flag on a uniform; providing for training and conduct of assessors; prohibiting purchases of tax-forfeited lands by certain local officials; providing for data classification and exchange of data; establishing a tax reform commission; providing and imposing powers and duties on the commissioner of revenue and other state agencies and departments and on certain political subdivisions and certain officials; changing and imposing penalties; requiring reports; transferring funds; appropriating money; amending Minnesota Statutes 2004, sections 4A.02; 16C.03, by adding a subdivision; 16D.10; 168A.05, subdivision 1a; 190.09, subdivision 2; 240.30, by adding a subdivision; 270.02, subdivision 3; 270.11, subdivision 2; 270.16, subdivision 2; 270.30, subdivisions 1, 5, 6, 8, by adding subdivisions; 270.65; 270.67, subdivision 4; 270.69, subdivision 4; 270A.03, subdivisions 5, 7; 272.01, subdivision 2; 272.02, subdivisions 1a, 7, 47, 53, 64, by adding subdivisions; 272.0211, subdivisions 1, 2; 272.0212, subdivisions 1, 2; 272.029, subdivisions 4, 6; 273.055; 273.0755; 273.11, subdivisions 1a, 8, by adding a subdivision; 273.111, by adding a subdivision; 273.123, subdivision 7; 273.124, subdivisions 3, 6, 8, 21; 273.125, subdivision 8; 273.13, subdivisions 22, 25, by adding a subdivision; 273.1315; 273.1384, subdivision 1; 273.19, subdivision 1a; 273.372; 274.01, subdivision 1; 274.014, subdivisions 2, 3; 274.14; 275.025, subdivision 4; 275.065, subdivisions 1c, 3, 4, 7, by adding subdivisions; 275.07, subdivisions 1, 4; 276.04, subdivision 2; 276.112; 276A.01, subdivision 7; 282.016; 282.08; 282.15; 282.21; 282.224; 282.301; 287.04; 289A.02, subdivision 7; 289A.08, subdivisions 1, 3, 7, 13, 16; 289A.18, subdivision 1; 289A.19, subdivision 4; 289A.20, subdivision 2; 289A.31, subdivision 2; 289A.37, subdivision 5; 289A.38, subdivisions 6, 7, by adding subdivisions; 289A.40, subdivision 2, by adding subdivisions; 289A.50, subdivisions 1, 1a; 289A.56, by adding a subdivision; 289A.60, subdivisions 2a, 4, 6, 7, 11, 13, 20, by adding subdivisions; 290.01, subdivisions 6, 7, 7b, 19, as amended, 19a, 19b, 19c, 19d, 31; 290.032, subdivisions 1, 2; 290.06, subdivisions 2c, 22, by adding a subdivision; 290.067, subdivisions 1, 2a; 290.0671, subdivisions 1, 1a; 290.0672, subdivisions 1, 2; 290.0674, subdivisions 1, 2; 290.0675, subdivision 1;

290.091, subdivisions 2, 3; 290.0922, subdivision 2; 290.191, subdivisions 2, 3; 290.92, subdivisions 1, 4b; 290A.03, subdivisions 3, 11, 13, 15, by adding subdivisions; 290A.07, by adding a subdivision; 290A.19; 290B.05, subdivision 3; 290C.05; 290C.10; 291.005, subdivision 1; 291.03, subdivision 1; 295.52, subdivision 4; 295.53, subdivision 1; 295.582; 295.60, subdivision 3; 296A.22, by adding a subdivision; 297A.61, subdivisions 3, 4, by adding a subdivision; 297A.64, subdivision 4; 297A.668, subdivisions 1, 5; 297A.67, subdivisions 2, 7, 9, 29, by adding a subdivision; 297A.68, subdivisions 2, 5, 28, 35, 37, 38, 39, by adding subdivisions; 297A.70, subdivision 10; 297A.71, subdivision 12, by adding a subdivision; 297A.72, by adding a subdivision; 297A.75, subdivision 1; 297A.87, subdivisions 2, 3; 297A.99, subdivisions 1, 4, 9, by adding a subdivision; 297E.01, subdivisions 5, 7, by adding subdivisions; 297E.06, subdivision 2; 297E.07; 297F.08, subdivision 12, by adding a subdivision; 297F.09, subdivisions 1, 2; 297F.14, subdivision 4; 297G.09, by adding a subdivision; 297I.01, by adding subdivisions; 297I.05, subdivisions 4, 5, by adding a subdivision; 298.01, subdivisions 3, 4; 298.24, subdivision 1; 298.75, by adding a subdivision; 325D.33, subdivision 6; 365.43, subdivision 1; 365.431; 366.011; 366.012; 373.45, subdivision 7; 398A.03, by adding a subdivision; 398A.04, subdivision 8; 469.169, by adding a subdivision; 469.1735, subdivision 3; 469.176, subdivisions 4l, 7; 469.310, subdivision 11, by adding a subdivision; 469.315; 469.316; 469.317; 469.319, subdivision 1, by adding a subdivision; 469.320, subdivision 3; 469.330, subdivision 11; 469.335; 469.337; 469.340, subdivision 1; 473.843, subdivision 5; 473F.02, subdivisions 2, 7; 477A.011, subdivisions 3, 34, 35, 36, 38; 477A.0124, subdivisions 2, 4; 477A.013, subdivisions 8, 9, by adding a subdivision; 477A.016; 477A.03, subdivisions 2a, 2b; 477A.11, subdivision 4, by adding a subdivision; 477A.12, subdivisions 1, 2; 477A.14, subdivision 1; 645.44, by adding a subdivision; Laws 1998, chapter 389, article 3, section 42, subdivision 2, as amended; Laws 1998, chapter 389, article 8, section 43, subdivision 3; Laws 2001, First Special Session chapter 5, article 3, section 8; Laws 2001, First Special Session chapter 5, article 12, section 95, as amended; Laws 2002, chapter 377, article 3, section 4; Laws 2003, chapter 127, article 5, section 27; Laws 2003, chapter 127, article 5, section 28; Laws 2003, First Special Session chapter 21, article 5, section 13; Laws 2003, First Special Session chapter 21, article 6, section 9; proposing coding for new law in Minnesota Statutes, chapters 15; 270; 272; 273; 275; 280; 289A; 290; 290C; 295; 297A; 297F; 373; 459; 473; repealing Minnesota Statutes 2004, sections 10A.322, subdivision 4; 16A.1522, subdivision 4; 270.85; 270.88; 272.02, subdivision 65; 273.19, subdivision 5; 273.37, subdivision 3; 274.05; 275.065, subdivisions 5a, 6, 6b, 8; 275.15; 275.61, subdivision 2; 283.07; 290.06, subdivision 23; 297E.12, subdivision 10; 469.1794, subdivision 6; 477A.08; Laws 1975, chapter 287, section 5; Laws 1998, chapter 389, article 3, section 41; Laws 2003, chapter 127, article 9, section 9, subdivision 4; Minnesota Rules, parts 8093.2000; 8093.3000; 8130.0110, subpart 4; 8130.0200, subparts 5, 6; 8130.0400, subpart 9; 8130.1200, subparts 5, 6; 8130.2900; 8130.3100, subpart 1; 8130.4000, subparts 1, 2; 8130.4200, subpart 1; 8130.4400, subpart 3; 8130.5200; 8130.5600, subpart 3; 8130.5800, subpart 5; 8130.7300, subpart 5; 8130.8800, subpart 4."

With the recommendation that when so amended the bill pass and be re-referred to the Committee on Ways and Means.

The report was adopted.

Johnson, J., from the Committee on Civil Law and Elections to which was referred:

H. F. No. 2428, A bill for an act relating to public safety; reenacting the Minnesota Citizens' Personal Protection Act of 2003; recognizing the inherent right of law-abiding citizens to self-protection through the lawful use of self-defense; providing a system under which responsible, competent adults can exercise their right to self-protection by authorizing them to obtain a permit to carry a pistol; providing criminal penalties; amending Minnesota Statutes 2004, section 624.714, subdivision 17, as reenacted.

Reported the same back with the following amendments:

Page 1, line 19, after the second comma, insert "and article 3, sections 1 to 12,"

Page 1, line 22, after "9" insert "; 242.31, subdivision 2a; 260B.245, subdivision 1; 609.165, subdivisions 1a, 1b, and 1d"

Page 1, line 23, after the first semicolon, insert "609A.03, subdivision 5a;" and delete "subdivision 11" and insert "subdivisions 5 and 11; 624.713, subdivisions 1, 2, and 3"

Page 1, line 25, delete the second "and" and before the period, insert "; and 638.02, subdivision 2"

Page 2, line 19, strike "posted request and demands compliance" and insert "establishment's policy"

Page 3, after line 8, insert:

"Sec. 3. [EFFECTIVE DATE.]

Sections 1 and 2 are effective the day following final enactment."

With the recommendation that when so amended the bill pass and be re-referred to the Committee on Rules and Legislative Administration.

The report was adopted.

Knoblach from the Committee on Ways and Means to which was referred:

S. F. No. 1064, A bill for an act relating to telecommunications; establishing an accessible electronic information service for blind and disabled persons; providing closed-captioning for certain local news programming; appropriating money; amending Minnesota Statutes 2004, section 237.52, subdivisions 2, 4; proposing coding for new law in Minnesota Statutes, chapters 248; 256C.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2004, section 237.52, subdivision 2, is amended to read:

Subd. 2. [ASSESSMENT.] (a) The commissioner of commerce, the commissioner of employment and economic development, and the commissioner of human services shall annually recommend to the commission an adequate and appropriate surcharge and budget to implement sections 237.50 to 237.56, 248.062, and 256C.30, respectively. The maximum annual budget for section 248.062 must not exceed \$100,000 and for section 256C.30 must not exceed \$300,000. The Public Utilities Commission shall review the ~~budget~~ budgets for reasonableness and may modify the budget to the extent it is unreasonable. The commission shall annually determine the funding mechanism to be used within 60 days of receipt of the recommendation of the ~~department~~ departments and shall order the imposition of surcharges effective on the earliest practicable date. The commission shall establish a monthly charge no greater than 20 cents for each customer access line, including trunk equivalents as designated by the commission pursuant to section 403.11, subdivision 1.

(b) If the fund balance falls below a level capable of fully supporting all programs eligible under subdivision 5 and section 248.062, expenditures under section 248.062 shall be suspended and expenditures under section 237.53 shall be fully funded. Expenditures under section 248.062 shall resume when the commissioner of commerce determines there is a sufficient fund balance to fund those expenditures.

Sec. 2. Minnesota Statutes 2004, section 237.52, subdivision 4, is amended to read:

Subd. 4. [APPROPRIATION.] Money in the fund is appropriated to the commissioner of commerce to implement sections 237.51 to 237.56, to the commissioner of employment and economic development to implement section 248.062, and to the commissioner of human services to implement section 256C.30.

Sec. 3. [248.061] [DEFINITIONS.]

Subdivision 1. [SCOPE.] The definitions in this section apply to sections 248.061 and 248.062.

Subd. 2. [ACCESSIBLE ELECTRONIC INFORMATION SERVICE.] "Accessible electronic information service" means news and other timely information, including newspapers, provided to eligible individuals from a service center, using high-speed computers and telecommunications technology for acquisition of content and rapid distribution in a form appropriate for use by those individuals.

Subd. 3. [ELIGIBLE INDIVIDUAL.] "Eligible individual" means an individual who is eligible for library loan services through the Library of Congress and the State Library for the Blind and Physically Handicapped under Code of Federal Regulations, title 36, section 701.10, subsection (b).

Subd. 4. [COMMISSIONER.] "Commissioner" means the commissioner of employment and economic development.

Subd. 5. [QUALIFIED ENTITY.] "Qualified entity" means an agency, instrumentality, or political subdivision of the state or a nonprofit organization that:

(1) provides access for an eligible individual to read daily newspapers through producing audio or Braille editions by computer; or

(2) provides a means of program administration and reader registration on the Internet.

Sec. 4. [248.062] [DUTIES OF COMMISSIONER.]

The commissioner must enter into agreements with qualified entities to provide an accessible electronic information service for eligible individuals. This service must be planned for continuation from year to year.

Sec. 5. [256C.30] [DUTIES OF HUMAN SERVICES COMMISSIONER.]

(a) As described in this section, the commissioner of human services must enter into grant agreements with television stations to make live local news programming accessible to deaf, hard-of-hearing, and deaf-blind persons as defined in section 256C.23.

(b) The grant agreements must provide for:

(1) real-time captioning services for broadcasting that is not emergency broadcasting subject to Code of Federal Regulations, title 47, section 79.2;

(2) real-time captioning services for commercial broadcasters in areas of Minnesota where commercial broadcasters are not subject to the live programming closed-captioning requirements of Code of Federal Regulations, title 47, section 71.1(e)(3); and

(3) real-time captioning for large-market noncommercial broadcasters who produce live news programming.

(c) For the purposes of this section, "real-time captioning" means a method of captioning in which captions are simultaneously prepared and transmitted at the time of origination by specially trained real-time captioners.

Sec. 6. [EFFECTIVE DATE.]

Sections 1 to 4 as they relate to duties and powers related to section 248.062 are effective the day following final enactment and apply to the budget for Minnesota Statutes, section 248.062, for services provided after April 15, 2005.

Sec. 7. [SUNSET.]

Sections 1 to 5 expire June 30, 2010."

Delete the title and insert:

"A bill for an act relating to telecommunications; establishing an accessible electronic information service for blind and disabled persons; appropriating money; amending Minnesota Statutes 2004, section 237.52, subdivisions 2, 4; proposing coding for new law in Minnesota Statutes, chapters 248; 256C."

With the recommendation that when so amended the bill pass.

The report was adopted.

SECOND READING OF HOUSE BILLS

H. F. No. 310 was read for the second time.

SECOND READING OF SENATE BILLS

S. F. No. 1064 was read for the second time.

INTRODUCTION AND FIRST READING OF HOUSE BILLS

The following House Files were introduced:

Peterson, A.; Koenen and Eken introduced:

H. F. No. 2506, A bill for an act relating to commerce; adopting the Country of Origin Labeling Act; prescribing penalties; proposing coding for new law as Minnesota Statutes, chapter 31C.

The bill was read for the first time and referred to the Committee on Commerce and Financial Institutions.

Lenczewski, Larson and Peterson, N., introduced:

H. F. No. 2507, A bill for an act relating to liquor; authorizing the city of Bloomington to issue an on-sale license to the Bloomington Art Center.

The bill was read for the first time and referred to the Committee on Regulated Industries.

MESSAGES FROM THE SENATE

The following messages were received from the Senate:

Mr. Speaker:

I hereby announce that the Senate accedes to the request of the House for the appointment of a Conference Committee on the amendments adopted by the Senate to the following House File:

H. F. No. 1, A bill for an act relating to public safety; appropriating money for the courts, Public Safety, and Corrections Departments, the Peace Officer Standards and Training Board, the Private Detective Board, Human Rights Department, and the Sentencing Guidelines Commission; making a standing appropriation for bond service for the 911 system; appropriating money for methamphetamine grants, homeless outreach grants, and youth intervention grants; requiring life without release sentences for certain egregious first degree criminal sexual conduct offenses; requiring indeterminate life sentences for certain sex offenses; increasing statutory maximum sentences for sex offenses; authorizing asexualization for certain sex offenders; requiring certain predatory offenders to obtain marked vehicle license plates and drivers' licenses or identification cards; establishing the Minnesota Sex Offender Review Board and providing its responsibilities, including release decisions, access to data, expedited rulemaking, and the applicability to it of contested case proceedings and the Open Meeting Law; directing the Sentencing Guidelines Commission to modify the sentencing guidelines; providing criminal penalties; modifying predatory offender registration and community notification requirements; expanding Department of Human Services access to the predatory offender registry; modifying the human services criminal background check law; establishing an ongoing Sex Offender Policy Board to develop uniform supervision and professional standards; requesting the Supreme Court to study use of the court system as an alternative to the administrative process for discharge of persons committed as sexually dangerous persons or sexual psychopathic personalities; making miscellaneous technical and conforming amendments to the sex offender law; requiring level III sex offenders to submit to polygraphs as a condition of release; providing that computers are subject to forfeiture if used to commit designated offenses; amending fire marshal safety law; defining explosives for purposes of rules regulating storage and use of explosives; transferring the youth intervention program to the Department of Public Safety; amending the Emergency Communications Law by assessing fees and authorizing issuance of bonds for the third phase of the statewide public safety radio communication system; requiring a statewide human trafficking assessment and study; establishing a gang and drug oversight council and a financial crimes oversight council; requiring correctional facilities to provide the Bureau of Criminal Apprehension with certain fingerprint information; requiring law

enforcement agencies to take biological specimens for DNA analysis for persons arrested for designated crimes in 2005 and further crimes in 2010; establishing correctional officers discipline procedures; increasing surcharges on criminal and traffic offenders; changing certain waiting periods for limited drivers' licenses; changing provisions relating to certain drivers' license restrictions; limiting public defender representation; authorizing public defender access to certain criminal justice data; requiring the revisor of statutes to publish a table containing cross-references to Minnesota Laws imposing collateral sanctions; requiring background checks for certain child care and placement situations; requiring the finder of fact to find a severe aggravating factor before imposing a sentence in excess of that provided by the Sentencing Guidelines; providing procedures where state intends to seek an aggravated durational departure; defining new crimes, amending crimes and imposing criminal penalties; prohibiting persons from operating motor vehicles containing traffic signal-override devices; requiring restraint of children under the age of seven; providing for a study on sentencing policy; requiring a report by counties to the legislature on level III sex offenders; amending Minnesota Statutes 2004, sections 2.722, subdivision 1; 13.461, by adding subdivisions; 13.6905, subdivision 17; 13.82, by adding a subdivision; 13.851, subdivision 5, by adding a subdivision; 13.87, subdivision 3; 13.871, subdivision 5; 13D.05, subdivision 2; 16C.09; 43A.047; 84.362; 116L.30; 144.335, by adding a subdivision; 144A.135; 152.02, subdivisions 4, 5; 168.12, by adding a subdivision; 169.06, by adding a subdivision; 169.71, subdivision 1; 169A.275, subdivision 1; 169A.52, subdivision 4; 169A.60, subdivisions 10, 11; 169A.63, subdivision 8; 169A.70, subdivision 3, by adding subdivisions; 171.07, subdivisions 1, 3; 171.09; 171.20, subdivision 4; 171.26; 171.30, subdivision 2a; 214.04, subdivision 1; 216D.08, subdivisions 1, 2; 237.70, subdivision 7; 241.67, subdivision 3; 242.195, subdivision 1; 243.1606, subdivision 1; 243.166; 243.167; 243.24, subdivision 2; 244.05, subdivisions 4, 5, 6, 7; 244.052, subdivisions 3, 4, by adding subdivisions; 244.09, subdivision 5; 244.10, subdivision 2, by adding subdivisions; 244.18, subdivision 2; 245C.03, subdivision 1; 245C.13, subdivision 2; 245C.15, subdivisions 1, 2, 3, 4; 245C.17, subdivisions 1, 2, 3; 245C.21, subdivisions 3, 4; 245C.22, by adding a subdivision; 245C.23, subdivision 1; 245C.24, subdivisions 2, 3, 4, by adding a subdivision; 245C.30, subdivisions 1, 2; 246.13; 253B.18, subdivisions 4a, 5, by adding a subdivision; 259.11; 259.24, subdivisions 1, 2a, 5, 6a; 260C.201, subdivision 11; 260C.212, subdivision 4; 282.04, subdivision 2; 299A.38, subdivisions 2, 2a, 3; 299A.465, by adding subdivisions; 299C.03; 299C.08; 299C.093; 299C.095, subdivision 1; 299C.10, subdivision 1, by adding a subdivision; 299C.11; 299C.14; 299C.145, subdivision 3; 299C.155; 299C.21; 299C.65, subdivisions 1, 2, 5, by adding a subdivision; 299F.011, subdivision 7; 299F.014; 299F.05; 299F.051, subdivision 4; 299F.06, subdivision 1; 299F.19, subdivisions 1, 2; 299F.362, subdivisions 3, 4; 299F.391, subdivision 1; 299F.46, subdivisions 1, 3; 325F.04; 326.3382, by adding a subdivision; 326.3384, subdivision 1; 343.31; 357.021, subdivisions 6, 7; 357.18, subdivision 3; 403.02, subdivisions 7, 13, 17, by adding a subdivision; 403.025, subdivisions 3, 7; 403.05, subdivision 3; 403.07, subdivision 3; 403.08, subdivision 10; 403.11, subdivisions 1, 3, 3a; 403.113, subdivision 1; 403.21, subdivision 8; 403.27, subdivisions 3, 4, by adding subdivisions; 403.30, subdivisions 1, 3, by adding subdivisions; 508.82, subdivision 1; 508A.82, subdivision 1; 518B.01, by adding a subdivision; 590.01, subdivision 1, by adding a subdivision; 609.02, subdivision 16; 609.108, subdivisions 1, 3, 4, 6, 7; 609.109, subdivisions 3, 4, 5, 6, 7; 609.1095, subdivisions 2, 4; 609.115, by adding a subdivision; 609.117; 609.1351; 609.185; 609.2231, subdivision 3; 609.2242, subdivision 3; 609.229, subdivision 3, by adding a subdivision; 609.321, subdivision 12; 609.341, subdivision 14, by adding subdivisions; 609.342, subdivisions 2, 3; 609.343, subdivisions 2, 3; 609.344, subdivisions 2, 3; 609.345, subdivisions 2, 3; 609.347; 609.3471; 609.348; 609.353; 609.485, subdivisions 2, 4; 609.487, by adding a subdivision; 609.50, subdivision 1; 609.505; 609.52, subdivision 2; 609.527, subdivisions 1, 3, 4, 6, by adding a subdivision; 609.531, subdivision 1; 609.5311, subdivisions 2, 3; 609.5312, subdivisions 1, 3, 4, by adding a subdivision; 609.5314, subdivision 1; 609.5317, subdivision 1; 609.5318, subdivision 1; 609.605, subdivisions 1, 4; 609.725; 609.748, subdivisions 2, 3a, by adding a subdivision; 609.749, subdivision 2; 609.763, subdivision 3; 609.79, subdivision 2; 609.795, by adding a subdivision; 609A.02, subdivision 3; 609A.03, subdivision 7; 611.14; 611.16; 611.25, subdivision 1; 611.272; 611A.01; 611A.036; 611A.19; 611A.53, subdivision 1b; 617.23, subdivisions 2, 3; 624.22, subdivision 1; 626.04; 626.556, subdivision 3; 626.557, subdivisions 12b, 14; 631.045; 631.425, subdivision 4; 641.21; Laws 2004, chapter 201, section 22; proposing coding for new law in Minnesota Statutes, chapters 171; 241; 243; 244; 260C; 299A; 299C; 590; 609; 611; 629; proposing coding for new law as Minnesota Statutes, chapter 545A; repealing Minnesota Statutes 2004, sections 69.011, subdivision 5; 243.162; 243.166, subdivisions 1, 8; 244.10, subdivisions 2a, 3; 246.017, subdivision 1; 299A.64; 299A.65; 299A.66; 299A.68; 299C.65, subdivisions 3, 4, 6, 7, 8, 8a, 9; 299F.011,

subdivision 4c; 299F.015; 299F.10; 299F.11; 299F.12; 299F.13; 299F.14; 299F.15; 299F.16; 299F.17; 299F.361; 299F.451; 299F.452; 403.025, subdivision 4; 403.30, subdivision 2; 609.108, subdivisions 2, 4, 5; 609.109, subdivisions 2, 4, 6; 609.119; 611.18; 624.04; Laws 2004, chapter 283, section 14.

The Senate has appointed as such committee:

Senators Ranum, Foley, Skoglund, Neuville and Rosen.

Said House File is herewith returned to the House.

PATRICK E. FLAHAVEN, Secretary of the Senate

Mr. Speaker:

I hereby announce that the Senate accedes to the request of the House for the appointment of a Conference Committee on the amendments adopted by the Senate to the following House File:

H. F. No. 1385, A bill for an act relating to higher education; allocating money for educational and related purposes with certain conditions; modifying various loan, grant, and financial aid provisions; requiring institutions to provide certain data; permitting disclosure of certain data to determine eligibility; amending various reciprocity provisions; providing definitions; directing the Board of Trustees to designate centers of excellence; amending the Minnesota college savings plan; authorizing transfer of certain bonding authority; amending provisions related to private career schools; establishing fees; providing for merger with the Higher Education Facilities Authority; establishing the Rochester University Development Committee; appropriating money; amending Minnesota Statutes 2004, sections 13.46, subdivision 2; 135A.031, subdivisions 3, 4; 135A.052, subdivision 1; 135A.30, subdivisions 3, 4, 5; 135A.52, subdivisions 1, 2; 136A.01, subdivision 2; 136A.031, subdivisions 2, 3, 4; 136A.08, by adding subdivisions; 136A.121, subdivisions 2, 5, 6, 9, by adding a subdivision; 136A.125, subdivision 2; 136A.1701, by adding subdivisions; 136F.04, subdivision 4; 136F.32, subdivision 2; 136G.03, subdivisions 3, 21a, 22, 32; 136G.05, subdivision 8; 136G.09, subdivisions 11, 12; 136G.11, subdivisions 1, 2, 3, 13; 136G.13, subdivisions 1, 5; 136G.14; 137.0245, subdivisions 1, 2, 4; 141.21, by adding a subdivision; 141.25, subdivisions 3, 5, 8, 9, 12; 141.251; 141.26, subdivision 5; 141.271, subdivisions 4, 7, 10, by adding subdivisions; 141.28, subdivision 1, by adding a subdivision; 141.29, subdivision 3; 141.30; 141.35; 192.502, subdivision 1; 299A.45, subdivisions 1, 4; proposing coding for new law in Minnesota Statutes, chapters 136A; 137; 141; repealing Minnesota Statutes 2004, sections 136A.011; 136A.031, subdivision 1; Minnesota Rules, parts 4815.0100; 4815.0110; 4815.0120; 4815.0130; 4815.0140; 4815.0150; 4815.0160; 4830.8100; 4830.8110; 4830.8120; 4830.8130; 4830.8140; 4830.8150.

The Senate has appointed as such committee:

Senators Pappas, Tomassoni, Solon, Kierlin and Robling.

Said House File is herewith returned to the House.

PATRICK E. FLAHAVEN, Secretary of the Senate

Mr. Speaker:

I hereby announce that the Senate accedes to the request of the House for the appointment of a Conference Committee on the amendments adopted by the Senate to the following House File:

H. F. No. 1422, A bill for an act relating to the operation of state government; making changes to health and human services programs; changing licensing and state-operated services provisions; changing provisions in state health care programs, changing MinnesotaCare to a forecasted program and changing eligibility requirements and payments, allowing transfer of excess health care access funds to the general fund, allowing the commissioner to withhold for delinquent nursing home provider surcharges, allowing reduction of excess assets for MA and changing other MA provisions, reducing payments to managed care plans, establishing medical necessity standards for state health care programs, allowing the state to recover payment for long-term care from trusts and life estates or joint tenancy interests, and establishing a health services policy committee and medication therapy management; establishing a value-based nursing facility reimbursement system and changing other provisions for nursing facilities; changing continuing care for the elderly and disabled provisions and establishing the Minnesota partnership for long-term care programs, increasing rate reimbursement for ICF/MR facilities, health care services, and provider rate increases, requiring a study for dental access, establishing an interagency work group on disability services; changing provisions for mental health services, allowing payment for mental health telemedicine, providing treatment foster care services and transitional youth intensive rehabilitative mental health services; modifying health policy, establishing a Health Information Technology and Infrastructure Advisory Committee, establishing a rural pharmacy planning and transition grant program, requiring a report from physicians and facilities performing abortions, classifying data in abortion notification reports, providing education on shaking infants and children, establishing a voluntary trauma system, trauma registry, and trauma advisory council, establishing a cancer drug repository program, prohibiting family grant funds to subsidize abortion services, promoting positive abortion alternatives, establishing the unborn child pain prevention act, providing education on postpartum depression, adjusting certain fees, providing civil and criminal penalties; making forecast adjustments; appropriating money; and providing for alternative funding; amending Minnesota Statutes 2004, sections 13.3806, by adding a subdivision; 16A.724; 103I.101, subdivision 6; 103I.208, subdivisions 1, 2; 103I.235, subdivision 1; 103I.601, subdivision 2; 144.122; 144.147, subdivisions 1, 2; 144.148, subdivision 1; 144.1483; 144.1501, subdivisions 1, 2, 3, 4; 144.226, subdivisions 1, 4, by adding subdivisions; 144.3831, subdivision 1; 144.551, subdivision 1; 144.562, subdivision 2; 144.9504, subdivision 2; 144.98, subdivision 3; 144A.071, subdivision 4a; 144A.073, by adding a subdivision; 144E.101, by adding a subdivision; 145.56, subdivisions 2, 5; 145.924; 145.9268; 146A.11, subdivision 1; 147A.08; 150A.22; 157.011, by adding a subdivision; 157.15, by adding a subdivision; 157.16, subdivisions 2, 3, by adding subdivisions; 157.20, subdivisions 2, 2a; 214.01, subdivision 2; 214.06, subdivision 1, by adding a subdivision; 245.4661, subdivisions 2, 6; 245.4885, subdivisions 1, 2, by adding a subdivision; 245A.10, subdivision 5; 245C.10, subdivisions 2, 3; 245C.32, subdivision 2; 246.0136, subdivision 1; 252.27, subdivision 2a; 253.20; 253B.02, subdivision 7; 256.01, subdivision 2, by adding subdivisions; 256.019, subdivision 1; 256.045, subdivisions 3, 3a; 256.046, subdivision 1; 256.9657, by adding a subdivision; 256.969, subdivisions 3a, 26; 256B.02, subdivision 12; 256B.04, by adding a subdivision; 256B.056, subdivisions 5, 5a, 5b, 7, by adding subdivisions; 256B.057, subdivision 9; 256B.0575; 256B.0595, subdivision 2; 256B.06, subdivision 4; 256B.0621, subdivisions 2, 3, 4, 5, 6, 7, by adding a subdivision; 256B.0625, subdivisions 2, 3a, 13, 13a, 13c, 13e, 13f, 17, by adding subdivisions; 256B.0644; 256B.075, subdivision 2; 256B.0913, subdivisions 2, 4; 256B.0916, by adding a subdivision; 256B.0943, subdivision 3; 256B.095; 256B.0951, subdivision 1; 256B.0952, subdivision 5; 256B.0953, subdivision 1; 256B.15, subdivision 1; 256B.19, subdivision 1; 256B.195, subdivision 3; 256B.32, subdivision 1; 256B.431, subdivisions 28, 29, 35, by adding subdivisions; 256B.432, subdivisions 1, 2, 5, by adding subdivisions; 256B.434, subdivisions 3, 4, 4a, 4b, 4c, 4d, by adding subdivisions; 256B.438, subdivision 3; 256B.47, subdivision 2; 256B.49, subdivision 16; 256B.5012, by adding a subdivision; 256B.69, subdivisions 4, 23, by adding a subdivision; 256B.75; 256B.765; 256D.03, subdivisions 3, 4, by adding subdivisions; 256D.045; 256L.01, subdivisions 1a, 4, 5; 256L.03, subdivisions 1, 3, 5, by adding a subdivision; 256L.04, subdivisions 1, 2, 8, by adding subdivisions; 256L.05, subdivisions 2, 3, 3a, 5; 256L.06, subdivision 3; 256L.07, subdivisions 1, 3, by adding a subdivision; 256L.09, subdivision 2; 256L.11, subdivision 6; 256L.12, subdivision 6, by adding a subdivision; 256L.15, subdivisions 2, 3; 326.42, subdivision 2; 471.61, by adding a subdivision; 514.981,

subdivision 6; Laws 2003, First Special Session chapter 14, article 12, section 93; proposing coding for new law in Minnesota Statutes, chapters 62J; 144; 145; 245A; 256B; 501B; repealing Minnesota Statutes 2004, sections 13.383, subdivision 3; 13.411, subdivision 3; 144.1486; 144.1502; 145.925; 146A.01, subdivisions 2, 5; 146A.02; 146A.03; 146A.04; 146A.05; 146A.06; 146A.07; 146A.08; 146A.09; 146A.10; 157.215; 256.955; 256B.075, subdivision 5; 256L.035; 256L.04, subdivisions 7, 11; 256L.09, subdivisions 1, 4, 5, 6, 7; 295.581; Minnesota Rules, parts 4700.1900; 4700.2000; 4700.2100; 4700.2200; 4700.2210; 4700.2300; 4700.2400; 4700.2410; 4700.2420; 4700.2500.

The Senate has appointed as such committee:

Senators Berglin, Lourey, Kubly, Koering and Hottinger.

Said House File is herewith returned to the House.

PATRICK E. FLAHAVEN, Secretary of the Senate

CALENDAR FOR THE DAY

The Speaker called Newman to the Chair.

H. F. No. 1669 was reported to the House.

Goodwin, Hilstrom, Mullery, Sailer and Fritz moved to amend H. F. No. 1669, the second engrossment, as follows:

Pages 9 and 10, delete section 12

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed and the amendment was adopted.

H. F. No. 1669, A bill for an act relating to insurance; regulating certain fees, rate filings, and policy renewals and alterations; regulating the collection of certain information; amending Minnesota Statutes 2004, sections 60A.08, subdivision 3; 60A.14, subdivision 1; 60A.171, subdivisions 1, 2; 60A.351; 60K.46, subdivision 7; 61A.02, subdivision 2, by adding a subdivision; 62A.02, subdivision 1; 70A.06, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 60A; repealing Minnesota Statutes 2004, section 60A.171, subdivision 4.

The bill was read for the third time, as amended, and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 131 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abeler	Dempsey	Heidgerken	Lanning	Opatz	Simon
Abrams	Dill	Hilstrom	Larson	Otremba	Simpson
Anderson, B.	Dittrich	Hilty	Latz	Ozment	Slawik
Anderson, I.	Dorman	Holberg	Lenczewski	Paulsen	Smith
Atkins	Dorn	Hoppe	Lesch	Paymar	Soderstrom
Beard	Eastlund	Hornstein	Liebling	Penas	Solberg
Bernardy	Eken	Hortman	Lieder	Peppin	Sykora
Blaine	Ellison	Hosch	Lillie	Peterson, A.	Thao
Bradley	Emmer	Howes	Loeffler	Peterson, N.	Thissen
Brod	Entenza	Huntley	Magnus	Peterson, S.	Tingelstad
Buesgens	Erickson	Jaros	Mahoney	Poppe	Urdahl
Carlson	Finstad	Johnson, J.	Mariani	Powell	Vandever
Charron	Fritz	Johnson, R.	Marquart	Rukavina	Wagenius
Clark	Garofalo	Johnson, S.	McNamara	Ruth	Walker
Cornish	Gazelka	Juhnke	Meslow	Ruud	Wardlow
Cox	Goodwin	Kahn	Moe	Sailer	Welti
Cybart	Greiling	Kelliher	Mullery	Samuelson	Westerberg
Davids	Gunther	Klinzing	Nelson, M.	Scalze	Westrom
Davnie	Hackbarth	Knoblach	Nelson, P.	Seifert	Wilkin
Dean	Hamilton	Koenen	Newman	Sertich	Zellers
DeLaForest	Hansen	Kohls	Nornes	Severson	Spk. Sviggum
Demmer	Hausman	Krinkie	Olson	Sieben	

The bill was passed, as amended, and its title agreed to.

H. F. No. 1809 was reported to the House.

Wilkin, Sertich, Davids and Atkins moved to amend H. F. No. 1809, the second engrossment, as follows:

Page 1, delete section 1

Page 8, line 22, after the period insert ""Licensee" does not include producers until January 1, 2007."

Pages 21 to 22, delete section 17

Pages 28 to 33, delete sections 25 and 26

Renumber the sections in sequence and correct internal references

Amend the title accordingly

The motion prevailed and the amendment was adopted.

Loeffler and Wilkin moved to amend H. F. No. 1809, the second engrossment, as amended, as follows:

Page 23, line 33, after "vacant" insert "or occupied by a caretaker" and delete "vacancy" and insert "insured's absence"

The motion prevailed and the amendment was adopted.

The Speaker resumed the Chair.

Liebling and Thissen moved to amend H. F. No. 1809, the second engrossment, as amended, as follows:

Page 22, after line 35, insert:

"Sec. 18. Minnesota Statutes 2004, section 62L.056, as added by H. F. No. 588, the second engrossment, if enacted, is amended to read:

62L.056 [SMALL EMPLOYER FLEXIBLE BENEFITS PLANS.]

(a) Notwithstanding any provision of this chapter, chapter 363A, or any other law to the contrary, a health carrier may offer, sell, issue, and renew a health benefit plan that is a flexible benefits plan under this section to a small employer if the following requirements are satisfied:

(1) the health benefit plan must be offered in compliance with this chapter, except as otherwise permitted in this section;

(2) the health benefit plan to be offered must be designed to enable employers and covered persons to better manage costs and coverage options through the use of co-pays, deductibles, and other cost-sharing arrangements;

(3) the health benefit plan must be issued and administered in compliance with sections 62E.141; 62L.03, subdivision 6; and 62L.12, subdivisions 3 and 4, relating to prohibitions against enrolling in the Minnesota Comprehensive Health Association persons eligible for employer group coverage;

~~(4) loss-ratio requirements do not apply to a health benefit plan issued under this section;~~

~~(5)~~ the health benefit plan may modify or exclude any or all coverages of benefits that would otherwise be required by law, except for maternity benefits and other benefits required under federal law;

~~(6)~~ (5) each health benefit plan must be approved by the commissioner of commerce, but the commissioner may not disapprove a plan on the grounds of a modification or exclusion permitted under clause (5); and

~~(7)~~ (6) prior to sale of the health benefit plan, the small employer must be given a written list of the coverages otherwise required by law that are modified or excluded in the health benefit plan. The list must include a description of each coverage in the list and indicate whether the coverage is modified or excluded. If a coverage is modified, the list must describe the modification. The list may, but need not, also list any or all coverages otherwise required by law that are included in the health benefit plan and indicate that they are included. The insurer must require that a copy of this written list be provided, prior to the effective date of the health benefit plan, to each employee who is eligible for health coverage under the employer's plan.

(b) The definitions in section 62L.02 apply to this section as modified by this section.

(c) An employer may provide a health benefit plan permitted under this section to its employees, the employees' dependents, and other persons eligible for coverage under the employer's plan, notwithstanding chapter 363A or any other law to the contrary.

[EFFECTIVE DATE.] This section is effective the day following final enactment."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

A roll call was requested and properly seconded.

The question was taken on the Liebling and Thissen amendment and the roll was called. There were 52 yeas and 80 nays as follows:

Those who voted in the affirmative were:

Anderson, I.	Entenza	Jaros	Lieder	Paymar	Slawik
Atkins	Fritz	Johnson, R.	Lillie	Peterson, A.	Solberg
Bernardy	Goodwin	Johnson, S.	Loeffler	Poppe	Thao
Carlson	Greiling	Kahn	Mahoney	Rukavina	Thissen
Clark	Hansen	Kelliher	Mariani	Ruud	Wagenius
Davnie	Hausman	Koenen	Mullery	Sailer	Walker
Dorn	Hilty	Latz	Murphy	Scalze	Welti
Eken	Hornstein	Lesch	Nelson, M.	Sertich	
Ellison	Huntley	Liebling	Otremba	Sieben	

Those who voted in the negative were:

Abeler	DeLaForest	Hamilton	Lanning	Paulsen	Sykora
Abrams	Demmer	Heidgerken	Larson	Penas	Tingelstad
Anderson, B.	Dempsey	Hilstrom	Lenczewski	Peppin	Urdahl
Beard	Dill	Holberg	Magnus	Peterson, N.	Vandever
Blaine	Dittrich	Hoppe	Marquart	Peterson, S.	Wardlow
Bradley	Dorman	Hortman	McNamara	Powell	Westerberg
Brod	Eastlund	Hosch	Meslow	Ruth	Westrom
Buesgens	Emmer	Howes	Moe	Samuelson	Wilkin
Charron	Erickson	Johnson, J.	Nelson, P.	Seifert	Zellers
Cornish	Finstad	Juhnke	Newman	Severson	Spk. Sviggum
Cox	Garofalo	Klinzing	Nornes	Simon	
Cybart	Gazelka	Knoblauch	Olson	Simpson	
Davids	Gunther	Kohls	Opatz	Smith	
Dean	Hackbarth	Krinkie	Ozment	Soderstrom	

The motion did not prevail and the amendment was not adopted.

Goodwin moved to amend H. F. No. 1809, the second engrossment, as amended, as follows:

Page 19, after line 32, insert:

"Sec. 15. Minnesota Statutes 2004, section 62D.042, subdivision 2, is amended to read:

Subd. 2. ~~[INITIAL NET WORTH REQUIREMENT REQUIREMENTS.]~~ (a) Beginning organizations shall maintain net worth of at least 8-1/3 percent of the sum of all expenses expected to be incurred in the 12 months following the date the certificate of authority is granted, or \$1,500,000, whichever is greater.

(b) After the first full calendar year of operation, organizations shall maintain net worth of at least 8-1/3 percent and at most 25 percent of the sum of all expenses incurred during the most recent calendar year, but in no case shall net worth fall below \$1,000,000.

(c) Notwithstanding paragraphs (a) and (b), any health maintenance organization owned by a political subdivision of this state, which has a higher than average percentage of enrollees who are enrolled in medical assistance or general assistance medical care, may exceed the maximum net worth limits provided in paragraphs (a) and (b), with the advance approval of the commissioner."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

A roll call was requested and properly seconded.

POINT OF ORDER

Kohls raised a point of order pursuant to rule 3.21 that the Goodwin amendment was not in order. The Speaker ruled the point of order not well taken and the Goodwin amendment in order.

The question recurred on the Goodwin amendment and the roll was called. There were 51 yeas and 81 nays as follows:

Those who voted in the affirmative were:

Anderson, I.	Entenza	Jaros	Lesch	Murphy	Slawik
Atkins	Fritz	Johnson, S.	Liebling	Nelson, M.	Solberg
Bernardy	Goodwin	Juhnke	Lieder	Opatz	Thao
Carlson	Greiling	Kahn	Lillie	Otremba	Wagenius
Clark	Hansen	Kelliher	Loeffler	Paymar	Walker
Davnie	Hausman	Koenen	Mahoney	Rukavina	Walti
Dill	Hilty	Larson	Mariani	Sailer	
Eken	Hornstein	Latz	Moe	Sertich	
Ellison	Hosch	Lenczewski	Mullery	Simon	

Those who voted in the negative were:

Abeler	Beard	Brod	Cornish	Davids	Demmer
Abrams	Blaine	Buesgens	Cox	Dean	Dempsey
Anderson, B.	Bradley	Charron	Cybart	DeLaForest	Dorman

Dorn	Heidgerken	Kohls	Ozment	Samuelson	Urdahl
Eastlund	Hilstrom	Krinkie	Paulsen	Scalze	Vandever
Emmer	Holberg	Lanning	Penas	Seifert	Wardlow
Erhardt	Hoppe	Magnus	Peppin	Severson	Westerberg
Erickson	Hortman	Marquart	Peterson, A.	Sieben	Westrom
Finstad	Howes	McNamara	Peterson, N.	Simpson	Wilkin
Garofalo	Huntley	Meslow	Peterson, S.	Smith	Zellers
Gazelka	Johnson, J.	Nelson, P.	Poppe	Soderstrom	Spk. Sviggum
Gunther	Johnson, R.	Newman	Powell	Sykora	
Hackbarth	Klinzing	Nornes	Ruth	Thissen	
Hamilton	Knoblach	Olson	Ruud	Tingelstad	

The motion did not prevail and the amendment was not adopted.

Solberg moved to amend H. F. No. 1809, the second engrossment, as amended, as follows:

Page 47, after line 34, insert:

"Sec. 40. Laws 1985, chapter 85, section 1, is amended to read:

Section 1. [CERTAIN COUNTIES; JOINT AGREEMENTS FOR INSURANCE COVERAGE.]

(a) The counties of Aitkin, Itasca, Koochiching and St. Louis, and political subdivisions located in those counties, except the city of Duluth, when two or more of them are acting jointly under Minnesota Statutes, section 471.61, subdivision 1, or section 471.59 for purposes of section 471.61, may act jointly for the same purposes with any nonprofit organization organized under the laws of Minnesota and which is exempt from taxation pursuant to section 501(c)(3) of the Internal Revenue Code 1954, as amended through December 31, 1984.

(b) Notwithstanding Minnesota Statutes, sections 62L.03; 62L.04; 62L.045; or any other provision of Minnesota Statutes, chapter 62L, an arrangement described in paragraph (a) may provide the same health coverage under the same plan and premium rates to its member employers that have 50 or fewer employees that the arrangement provides to its member employers that have more than 50 employees. The insurer offering the plan need not offer this same plan to small employers that are not member employers in the arrangement described in paragraph (a).

(c) Paragraph (b) is a pilot project that expires at the end of its third full plan year after its date of enactment. After the second full plan year, the entity operating an arrangement described in paragraph (a) shall provide a written report to the commissioner of commerce summarizing the advantages and disadvantages of the pilot project and recommending whether to make it permanent."

Page 48, line 3, before "Sections" insert "(a)"

Page 48, after line 8, insert:

"(b) Pursuant to Minnesota Statutes, section 645.023, subdivision 1, clause (a), local approval of section 40 is not required. Section 40 is effective the day following final enactment."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed and the amendment was adopted.

Davnie, Bradley, Wilkin and Davids moved to amend H. F. No. 1809, the second engrossment, as amended, as follows:

Page 47, after line 14, insert:

"Sec. 39. Minnesota Statutes 2004, section 123A.21, is amended by adding a subdivision to read:

Subd. 12. [HEALTH COVERAGE POOL COMPARISON SHOPPING.] (a) Service cooperatives must permit school districts and other political subdivisions participating in a service cooperative health coverage pool to solicit bids and other information from competing sources of health coverage at any time other than within five months prior to the end of a master agreement.

(b) A service cooperative must not impose a fine or other penalty against an enrolled entity for soliciting a bid or other information during the allowed period. The service cooperative may prohibit the entity from participating in service cooperative coverage for a period of up to one year, if the entity leaves the service cooperative pool and obtains other health coverage.

(c) A service cooperative must provide each enrolled entity with the entity's monthly claims data. This paragraph applies notwithstanding section 13.203."

Renumber the sections in sequence and correct internal references

Amend the title accordingly

The motion prevailed and the amendment was adopted.

Huntley moved to amend H. F. No. 1809, the second engrossment, as amended, as follows:

Page 23, after line 10, insert:

"Sec. 19. Minnesota Statutes 2004, section 62Q.65, is amended to read:

62Q.65 [ACCESS TO PROVIDER DISCOUNTS.]

Subdivision 1. [REQUIREMENT.] A high deductible health plan must, when used in connection with a medical savings account or health savings account, provide the enrollee access to any discounted provider fees for services covered by the high deductible health plan, regardless of whether the enrollee has satisfied the deductible for the high deductible health plan.

Subd. 2. [DEFINITIONS.] For purposes of this section, the following terms have the meanings given:

(1) "high deductible health plan" has the meaning given under the Internal Revenue Code of 1986, section 220(c)(2), with respect to a medical savings account; and the meaning given under Internal Revenue Code of 1986, section 223(c)(2), with respect to a health savings account;

(2) "medical savings account" has the meaning given under the Internal Revenue Code of 1986, section 220(d)(1); ~~and~~

(3) "discounted provider fees" means fees contained in a provider agreement entered into by the issuer of the high deductible health plan, or an affiliate of the issuer, for use in connection with the high deductible health plan; and

(4) "health savings account" has the meaning given under the Internal Revenue Code of 1986, section 223(d)."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed and the amendment was adopted.

H. F. No. 1809, A bill for an act relating to insurance; regulating agency terminations, coverages, fees, forms, disclosures, reports, information security, and premiums; amending Minnesota Statutes 2004, sections 60A.14, subdivision 1; 60A.171, subdivision 11; 60A.23, subdivision 8; 60A.966; 60A.969; 62A.136; 62A.31, subdivision 1h; 62A.315; 62A.316; 62E.12; 62E.13, subdivision 2; 62Q.471; 62Q.65; 65A.29, subdivision 11; 65B.48, subdivision 3; 72A.20, subdivisions 13, 36; 79.211, by adding a subdivision; 79.40; 79.56, subdivisions 1, 3; 79.62, subdivision 3; 79A.03, subdivision 9; 79A.04, subdivisions 2, 10; 79A.06, subdivision 5; 79A.12, subdivision 2; 79A.22, subdivision 11, by adding a subdivision; 123A.21, by adding a subdivision; 176.191, subdivision 3; Laws 1985, chapter 85, section 1; proposing coding for new law in Minnesota Statutes, chapters 60A; 60D; 65A; 65B; repealing Minnesota Statutes 2004, sections 61A.072, subdivision 2; 62E.03.

The bill was read for the third time, as amended, and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 132 yeas and 1 nay as follows:

Those who voted in the affirmative were:

Abeler	Dempsey	Heidgerken	Lanning	Olson	Sieben
Abrams	Dill	Hilstrom	Larson	Opatz	Simon
Anderson, B.	Dittrich	Hilty	Latz	Otremba	Simpson
Anderson, I.	Dorman	Holberg	Lenczewski	Ozment	Slawik
Atkins	Dorn	Hoppe	Lesch	Paulsen	Smith
Beard	Eastlund	Hornstein	Liebling	Paymar	Soderstrom
Bernardy	Eken	Hortman	Lieder	Penas	Solberg
Blaine	Ellison	Hosch	Lillie	Peppin	Sykora
Bradley	Emmer	Howes	Loeffler	Peterson, A.	Thao
Brod	Entenza	Huntley	Magnus	Peterson, N.	Thissen
Buesgens	Erhardt	Jaros	Mahoney	Peterson, S.	Tingelstad
Carlson	Erickson	Johnson, J.	Mariani	Poppe	Urdahl
Charron	Finstad	Johnson, R.	Marquart	Powell	Vandever
Clark	Fritz	Johnson, S.	McNamara	Rukavina	Wagenius
Cornish	Garofalo	Juhnke	Meslow	Ruth	Walker
Cox	Gazelka	Kahn	Moe	Ruud	Wardlow
Cybart	Greiling	Kelliher	Mullery	Sailer	Welti
Davids	Gunther	Klinzing	Murphy	Samuelson	Westerberg
Davnie	Hackbarth	Knoblach	Nelson, M.	Scalze	Westrom
Dean	Hamilton	Koenen	Nelson, P.	Seifert	Wilkin
DeLaForest	Hansen	Kohls	Newman	Sertich	Zellers
Demmer	Hausman	Krinkie	Nornes	Severson	Spk. Sviggum

Those who voted in the negative were:

Goodwin

The bill was passed, as amended, and its title agreed to.

H. F. No. 1595, A bill for an act relating to Hennepin and Wright Counties; authorizing the Hennepin County Board and the Wright County Board to initiate a process for the change of county boundaries by resolution.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 133 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abeler	Dill	Hilstrom	Latz	Ozment	Smith
Abrams	Dittrich	Hilty	Lenczewski	Paulsen	Soderstrom
Anderson, B.	Dorman	Holberg	Lesch	Paymar	Solberg
Anderson, I.	Dorn	Hoppe	Liebling	Penas	Sykora
Atkins	Eastlund	Hornstein	Lieder	Peppin	Thao
Beard	Eken	Hortman	Lillie	Peterson, A.	Thissen
Bernardy	Ellison	Hosch	Loeffler	Peterson, N.	Tingelstad
Blaine	Emmer	Howes	Magnus	Peterson, S.	Urdahl
Bradley	Entenza	Huntley	Mahoney	Poppe	Vandever
Brod	Erhardt	Jaros	Mariani	Powell	Wagenius
Buesgens	Erickson	Johnson, J.	Marquart	Rukavina	Walker
Carlson	Finstad	Johnson, R.	McNamara	Ruth	Wardlow
Charron	Fritz	Johnson, S.	Meslow	Ruud	Welti
Clark	Garofalo	Juhnke	Moe	Sailer	Westerberg
Cornish	Gazelka	Kahn	Mullery	Samuelson	Westrom
Cox	Goodwin	Kelliher	Murphy	Scalze	Wilkin
Cybart	Greiling	Klinzing	Nelson, M.	Seifert	Zellers
Davids	Gunther	Knoblach	Nelson, P.	Sertich	Spk. Sviggum
Davnie	Hackbarth	Koenen	Newman	Severson	
Dean	Hamilton	Kohls	Nornes	Sieben	
DeLaForest	Hansen	Krinkie	Olson	Simon	
Demmer	Hausman	Lanning	Opatz	Simpson	
Dempsey	Heidgerken	Larson	Otremba	Slawik	

The bill was passed and its title agreed to.

H. F. No. 1949 was reported to the House.

Opatz moved to amend H. F. No. 1949 as follows:

Page 2, line 6, delete "any" and insert "Haven" and delete "that"

Page 2, line 7, delete everything before the period

The motion prevailed and the amendment was adopted.

Severson moved to amend H. F. No. 1949, as amended, as follows:

Page 1, line 22, after the period, insert "This section expires January 1, 2007."

Page 2, line 14, after the period, insert "This section expires January 1, 2007."

The motion prevailed and the amendment was adopted.

H. F. No. 1949, A bill for an act relating to local government; authorizing Stearns, Benton, and Sherburne County Boards to initiate a process for the change of county boundaries by resolution.

The bill was read for the third time, as amended, and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 102 yeas and 31 nays as follows:

Those who voted in the affirmative were:

Abeler	Dempsey	Hilstrom	Lanning	Nelson, M.	Seifert
Abrams	Dill	Hilty	Larson	Nornes	Sertich
Anderson, B.	Dittrich	Hoppe	Latz	Opatz	Sieben
Anderson, I.	Dorn	Hornstein	Lenczewski	Ozment	Simon
Atkins	Eken	Hortman	Lesch	Paulsen	Simpson
Beard	Ellison	Hosch	Liebling	Paymar	Slawik
Bernardy	Emmer	Howes	Lieder	Penas	Solberg
Buesgens	Entenza	Huntley	Lillie	Peppin	Sykora
Carlson	Erhardt	Jaros	Loeffler	Peterson, A.	Thao
Charron	Fritz	Johnson, J.	Mahoney	Peterson, S.	Thissen
Clark	Garofalo	Johnson, R.	Mariani	Poppe	Vandever
Cornish	Gazelka	Johnson, S.	Marquart	Powell	Wagenius
Cox	Goodwin	Juhnke	McNamara	Rukavina	Walker
Cybart	Greiling	Kahn	Meslow	Ruth	Walti
Davids	Hackbarth	Kelliher	Moe	Ruud	Westerberg
Davnie	Hansen	Klinzing	Mullery	Sailer	Westrom
DeLaForest	Hausman	Kohls	Murphy	Scalze	Wilkin

Those who voted in the negative were:

Blaine	Eastlund	Holberg	Newman	Smith	Spk. Sviggum
Bradley	Erickson	Knoblach	Olson	Soderstrom	
Brod	Finstad	Koenen	Otremba	Tingelstad	
Dean	Gunther	Krinkie	Peterson, N.	Urdahl	
Demmer	Hamilton	Magnus	Samuelson	Wardlow	
Dorman	Heidgerken	Nelson, P.	Severson	Zellers	

The bill was passed, as amended, and its title agreed to.

S. F. No. 1095, A bill for an act relating to drivers' licenses; authorizing commissioner of public safety to waive road test for licensed military personnel; amending Minnesota Statutes 2004, section 171.13, subdivision 1a.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 133 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abeler	Dill	Hilstrom	Latz	Ozment	Smith
Abrams	Dittrich	Hilty	Lenczewski	Paulsen	Soderstrom
Anderson, B.	Dorman	Holberg	Lesch	Paymar	Solberg
Anderson, I.	Dorn	Hoppe	Liebling	Penas	Sykora
Atkins	Eastlund	Hornstein	Lieder	Peppin	Thao
Beard	Eken	Hortman	Lillie	Peterson, A.	Thissen
Bernardy	Ellison	Hosch	Loeffler	Peterson, N.	Tingelstad
Blaine	Emmer	Howes	Magnus	Peterson, S.	Urdahl
Bradley	Entenza	Huntley	Mahoney	Poppe	Vandever
Brod	Erhardt	Jaros	Mariani	Powell	Wagenius
Buesgens	Erickson	Johnson, J.	Marquart	Rukavina	Walker
Carlson	Finstad	Johnson, R.	McNamara	Ruth	Wardlow
Charron	Fritz	Johnson, S.	Meslow	Ruud	Walti
Clark	Garofalo	Juhnke	Moe	Sailer	Westerberg
Cornish	Gazelka	Kahn	Mullery	Samuelson	Westrom
Cox	Goodwin	Kelliher	Murphy	Scalze	Wilkin
Cybart	Greiling	Klinzing	Nelson, M.	Seifert	Zellers
Davids	Gunther	Knoblach	Nelson, P.	Sertich	Spk. Sviggum
Davnie	Hackbarth	Koenen	Newman	Severson	
Dean	Hamilton	Kohls	Nornes	Sieben	
DeLaForest	Hansen	Krinkie	Olson	Simon	
Demmer	Hausman	Lanning	Opatz	Simpson	
Dempsey	Heidgerken	Larson	Otremba	Slawik	

The bill was passed and its title agreed to.

S. F. No. 1146 was reported to the House.

Gunther moved to amend S. F. No. 1146 as follows:

Page 3, line 8, reinstate the stricken language

The motion prevailed and the amendment was adopted.

Cornish moved to amend S. F. No. 1146, as amended, as follows:

Page 2, lines 7, 10, 24, and 27, reinstate the stricken "constables" and delete "peace officers"

Page 2, line 25, strike "or" and insert a comma and after "municipality" insert ", or security guard as defined in section 626.88"

The motion prevailed and the amendment was adopted.

S. F. No. 1146, A bill for an act relating to agriculture; clarifying the county agricultural society exemption from local zoning ordinances; amending Minnesota Statutes 2004, sections 38.01; 38.16.

The bill was read for the third time, as amended, and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 130 yeas and 2 nays as follows:

Those who voted in the affirmative were:

Abrams	Dill	Hilstrom	Latz	Otremba	Simpson
Anderson, B.	Dittrich	Hilty	Lenczewski	Ozment	Slawik
Anderson, I.	Dorman	Holberg	Lesch	Paulsen	Smith
Atkins	Dorn	Hoppe	Liebling	Paymar	Soderstrom
Beard	Eastlund	Hornstein	Lieder	Penas	Solberg
Bernardy	Eken	Hortman	Lillie	Peppin	Sykora
Blaine	Ellison	Hosch	Loeffler	Peterson, A.	Thao
Bradley	Emmer	Howes	Magnus	Peterson, N.	Thissen
Brod	Entenza	Huntley	Mahoney	Peterson, S.	Tingelstad
Buesgens	Erhardt	Jaros	Mariani	Poppe	Urdahl
Carlson	Erickson	Johnson, J.	Marquart	Powell	Vandever
Charron	Finstad	Johnson, R.	McNamara	Rukavina	Wagenius
Clark	Fritz	Johnson, S.	Meslow	Ruth	Walker
Cornish	Garofalo	Juhnke	Moe	Ruud	Wardlow
Cox	Gazelka	Kahn	Mullery	Sailer	Welti
Cybart	Goodwin	Kelliher	Murphy	Samuelson	Westerberg
Davids	Greiling	Klinzing	Nelson, M.	Scalze	Westrom
Davnie	Gunther	Knoblach	Nelson, P.	Seifert	Wilkin
Dean	Hackbarth	Koenen	Newman	Sertich	Zellers
DeLaForest	Hamilton	Krinkie	Nornes	Severson	Spk. Sviggum
Demmer	Hansen	Lanning	Olson	Sieben	
Dempsey	Heidgerken	Larson	Opatz	Simon	

Those who voted in the negative were:

Abeler Kohls

The bill was passed, as amended, and its title agreed to.

H. F. No. 419, A bill for an act relating to game and fish; modifying protection status of great horned owls; amending Minnesota Statutes 2004, sections 97A.015, subdivision 52; 97B.701, by adding a subdivision.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 134 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abeler	Dill	Hilstrom	Latz	Ozment	Slawik
Abrams	Dittrich	Hilty	Lenczewski	Paulsen	Smith
Anderson, B.	Dorman	Holberg	Lesch	Paymar	Soderstrom
Anderson, I.	Dorn	Hoppe	Liebling	Pelowski	Solberg
Atkins	Eastlund	Hornstein	Lieder	Penas	Sykora
Beard	Eken	Hortman	Lillie	Peppin	Thao
Bernardy	Ellison	Hosch	Loeffler	Peterson, A.	Thissen
Blaine	Emmer	Howes	Magnus	Peterson, N.	Tingelstad
Bradley	Entenza	Huntley	Mahoney	Peterson, S.	Urdahl
Brod	Erhardt	Jaros	Mariani	Poppe	Vandever
Buesgens	Erickson	Johnson, J.	Marquart	Powell	Wagenius
Carlson	Finstad	Johnson, R.	McNamara	Rukavina	Walker
Charron	Fritz	Johnson, S.	Meslow	Ruth	Wardlow
Clark	Garofalo	Juhnke	Moe	Ruud	Welti
Cornish	Gazelka	Kahn	Mullery	Sailer	Westerberg
Cox	Goodwin	Kelliher	Murphy	Samuelson	Westrom
Cybart	Greiling	Klinzing	Nelson, M.	Scalze	Wilkin
Davids	Gunther	Knoblach	Nelson, P.	Seifert	Zellers
Davnie	Hackbarth	Koenen	Newman	Sertich	Spk. Sviggum
Dean	Hamilton	Kohls	Nornes	Severson	
DeLaForest	Hansen	Krinkie	Olson	Sieben	
Demmer	Hausman	Lanning	Opatz	Simon	
Dempsey	Heidgerken	Larson	Otremba	Simpson	

The bill was passed and its title agreed to.

H. F. No. 1164 was reported to the House.

Hilstrom moved to amend H. F. No. 1164, the first engrossment, as follows:

Page 1, after line 6, insert:

"Section 1. Minnesota Statutes 2004, section 160.80, subdivision 1a, is amended to read:

Subd. 1a. [ELIGIBILITY CRITERIA FOR BUSINESS PANELS.] (a) To be eligible for a business panel on a logo sign panel, a business establishment must:

- (1) be open for business;
- (2) have a sign on site that both identifies the business and is visible to motorists;

(3) be open to everyone, regardless of race, religion, color, age, sex, national origin, creed, marital status, sexual orientation, or disability;

(4) not impose a cover charge or otherwise require customers to purchase additional products or services; and

(5) meet the appropriate criteria in paragraphs (b) to (e).

(b) Gas businesses must provide vehicle services including fuel and oil; restroom facilities and drinking water; continuous, staffed operation at least 12 hours a day, seven days a week; and public access to a telephone.

(c) Food businesses must serve at least two meals a day during normal mealtimes of breakfast, lunch, and dinner; provide a continuous, staffed food service operation at least ten hours a day, seven days a week except holidays as defined in section 645.44, subdivision 5, and except as provided for seasonal food service businesses; provide seating capacity for at least 20 people; ~~serve meals prepared on the premises;~~ and possess any required state or local licensing or approval. ~~Reheated, prepackaged, ready-to-eat food is not "food prepared on the premises."~~ Seasonal food service businesses must provide a continuous, staffed food service operation at least ten hours a day, seven days a week, during their months of operation.

(d) Lodging businesses must include sleeping accommodations, provide public access to a telephone, and possess any required state or local licensing or approval.

(e) Camping businesses must include sites for camping, include parking accommodations for each campsite, provide sanitary facilities and drinking water, and possess any required state or local licensing or approval.

(f) Businesses that do not meet the appropriate criteria in paragraphs (b) to (e) but that have a signed lease as of January 1, 1998, may retain the business panel until December 31, 2005, or until they withdraw from the program, whichever occurs first, provided they continue to meet the criteria in effect in the department's contract with the logo sign vendor on August 1, 1995. After December 31, 2005, or after withdrawing from the program, a business must meet the appropriate criteria in paragraphs (a) to (e) to qualify for a business panel.

(g) Seasonal businesses must indicate to motorists when they are open for business by either putting the full months of operation directly on the business panel or by having a "closed" plaque applied to the business panel when the business is closed for the season.

(h) The maximum distance that an eligible business in Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington county can be located from the interchange is: for gas businesses, one mile; for food businesses, two miles; for lodging businesses, three miles; and for camping businesses, ten miles.

(i) The maximum distance that an eligible business in any other county can be located from the interchange shall not exceed 15 miles in either direction.

(j) Logo sign panels must be erected so that motorists approaching an interchange view the panels in the following order: camping, lodging, food, gas.

(k) If there is insufficient space on a logo sign panel to display all eligible businesses for a specific type of service, the businesses closest to the interchange have priority over businesses farther away from the interchange.

[EFFECTIVE DATE.] This section is effective the day following final enactment."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed and the amendment was adopted.

H. F. No. 1164, A bill for an act relating to traffic regulations; modifying provision governing the passing of a parked emergency vehicle; providing eligibility criteria for business panels on logo sign panels; amending Minnesota Statutes 2004, sections 160.80, subdivision 1a; 169.18, subdivision 11.

The bill was read for the third time, as amended, and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 134 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abeler	Dill	Hilstrom	Latz	Ozment	Slawik
Abrams	Dittrich	Hilty	Lenczewski	Paulsen	Smith
Anderson, B.	Dorman	Holberg	Lesch	Paymar	Soderstrom
Anderson, I.	Dorn	Hoppe	Liebling	Pelowski	Solberg
Atkins	Eastlund	Hornstein	Lieder	Penas	Sykora
Beard	Eken	Hortman	Lillie	Peppin	Thao
Bernardy	Ellison	Hosch	Loeffler	Peterson, A.	Thissen
Blaine	Emmer	Howes	Magnus	Peterson, N.	Tingelstad
Bradley	Entenza	Huntley	Mahoney	Peterson, S.	Urdahl
Brod	Erhardt	Jaros	Mariani	Poppe	Vandever
Buesgens	Erickson	Johnson, J.	Marquart	Powell	Wagenius
Carlson	Finstad	Johnson, R.	McNamara	Rukavina	Walker
Charron	Fritz	Johnson, S.	Meslow	Ruth	Wardlow
Clark	Garofalo	Juhnke	Moe	Ruud	Welti
Cornish	Gazelka	Kahn	Mullery	Sailer	Westerberg
Cox	Goodwin	Kelliher	Murphy	Samuelson	Westrom
Cybart	Greiling	Klinzing	Nelson, M.	Scalze	Wilkin
Davids	Gunther	Knoblach	Nelson, P.	Seifert	Zellers
Davnie	Hackbarth	Koenen	Newman	Sertich	Spk. Sviggum
Dean	Hamilton	Kohls	Nornes	Severson	
DeLaForest	Hansen	Krinkie	Olson	Sieben	
Demmer	Hausman	Lanning	Opatz	Simon	
Dempsey	Heidgerken	Larson	Otremba	Simpson	

The bill was passed, as amended, and its title agreed to.

The Speaker called Emmer to the Chair.

H. F. No. 1461, A bill for an act relating to motor vehicles; modifying and simplifying provisions related to parking for persons with disabilities; making technical and clarifying changes; amending Minnesota Statutes 2004, sections 85.052, subdivision 3; 85.053, subdivision 7; 168.011, subdivision 4, by adding a subdivision; 168.021; 168.33, subdivision 8; 169.345; 169.346, subdivisions 1, 2, 2a, 3.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 134 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abeler	Dill	Hilstrom	Latz	Ozment	Slawik
Abrams	Dittrich	Hilty	Lenczewski	Paulsen	Smith
Anderson, B.	Dorman	Holberg	Lesch	Paymar	Soderstrom
Anderson, I.	Dorn	Hoppe	Liebling	Pelowski	Solberg
Atkins	Eastlund	Hornstein	Lieder	Penas	Sykora
Beard	Eken	Hortman	Lillie	Peppin	Thao
Bernardy	Ellison	Hosch	Loeffler	Peterson, A.	Thissen
Blaine	Emmer	Howes	Magnus	Peterson, N.	Tingelstad
Bradley	Entenza	Huntley	Mahoney	Peterson, S.	Urdahl
Brod	Erhardt	Jaros	Mariani	Poppe	Vandever
Buesgens	Erickson	Johnson, J.	Marquart	Powell	Wagenius
Carlson	Finstad	Johnson, R.	McNamara	Rukavina	Walker
Charron	Fritz	Johnson, S.	Meslow	Ruth	Wardlow
Clark	Garofalo	Juhnke	Moe	Ruud	Wolti
Cornish	Gazelka	Kahn	Mullery	Sailer	Westerberg
Cox	Goodwin	Kelliher	Murphy	Samuelson	Westrom
Cybart	Greiling	Klinzing	Nelson, M.	Scalze	Wilkin
Davids	Gunther	Knoblach	Nelson, P.	Seifert	Zellers
Davnie	Hackbarth	Koenen	Newman	Sertich	Spk. Sviggum
Dean	Hamilton	Kohls	Nornes	Severson	
DeLaForest	Hansen	Krinkie	Olson	Sieben	
Demmer	Hausman	Lanning	Opatz	Simon	
Dempsey	Heidgerken	Larson	Otremba	Simpson	

The bill was passed and its title agreed to.

H. F. No. 2035, A bill for an act relating to motor vehicles; authorizing commissioner of public safety to remove from department records certain old liens on passenger automobiles; amending Minnesota Statutes 2004, section 168A.20, by adding a subdivision.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 134 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abeler	Carlson	Dempsey	Erickson	Hausman	Jaros
Abrams	Charron	Dill	Finstad	Heidgerken	Johnson, J.
Anderson, B.	Clark	Dittrich	Fritz	Hilstrom	Johnson, R.
Anderson, I.	Cornish	Dorman	Garofalo	Hilty	Johnson, S.
Atkins	Cox	Dorn	Gazelka	Holberg	Juhnke
Beard	Cybart	Eastlund	Goodwin	Hoppe	Kahn
Bernardy	Davids	Eken	Greiling	Hornstein	Kelliher
Blaine	Davnie	Ellison	Gunther	Hortman	Klinzing
Bradley	Dean	Emmer	Hackbarth	Hosch	Knoblach
Brod	DeLaForest	Entenza	Hamilton	Howes	Koenen
Buesgens	Demmer	Erhardt	Hansen	Huntley	Kohls

Krinkie	Mariani	Opatz	Powell	Simpson	Walker
Lanning	Marquart	Otremba	Rukavina	Slawik	Wardlow
Larson	McNamara	Ozment	Ruth	Smith	Wolti
Latz	Meslow	Paulsen	Ruud	Soderstrom	Westerberg
Lenczewski	Moe	Paymar	Sailer	Solberg	Westrom
Lesch	Mullery	Pelowski	Samuelson	Sykora	Wilkin
Liebling	Murphy	Penas	Scalze	Thao	Zellers
Lieder	Nelson, M.	Peppin	Seifert	Thissen	Spk. Sviggum
Lillie	Nelson, P.	Peterson, A.	Sertich	Tingelstad	
Loeffler	Newman	Peterson, N.	Severson	Urdahl	
Magnus	Nornes	Peterson, S.	Sieben	Vandever	
Mahoney	Olson	Poppe	Simon	Wagenius	

The bill was passed and its title agreed to.

S. F. No. 493, A bill for an act relating to hospital districts; providing for board membership in the Yellow Medicine County Hospital District; amending Laws 1963, chapter 276, section 2, by adding a subdivision.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 118 yeas and 16 nays as follows:

Those who voted in the affirmative were:

Abeler	Dill	Hilstrom	Latz	Otremba	Simon
Abrams	Dittrich	Hilty	Lenczewski	Ozment	Simpson
Anderson, B.	Dorman	Hoppe	Lesch	Paulsen	Slawik
Anderson, I.	Dorn	Hornstein	Liebling	Paymar	Smith
Atkins	Eken	Hortman	Lieder	Pelowski	Soderstrom
Beard	Ellison	Hosch	Lillie	Penas	Solberg
Bernardy	Entenza	Howes	Loeffler	Peterson, A.	Sykora
Blaine	Erhardt	Huntley	Magnus	Peterson, N.	Thao
Bradley	Finstad	Jaros	Mahoney	Peterson, S.	Thissen
Brod	Fritz	Johnson, J.	Mariani	Poppe	Tingelstad
Carlson	Garofalo	Johnson, R.	Marquart	Powell	Urdahl
Clark	Gazelka	Johnson, S.	McNamara	Rukavina	Wagenius
Cornish	Goodwin	Juhnke	Meslow	Ruth	Walker
Cox	Greiling	Kahn	Moe	Ruud	Wardlow
Cybart	Gunther	Kelliher	Mullery	Sailer	Wolti
Davids	Hackbarth	Klinzing	Murphy	Samuelson	Westerberg
Davnie	Hamilton	Knoblach	Nelson, M.	Scalze	Westrom
Dean	Hansen	Koenen	Newman	Seifert	Spk. Sviggum
Demmer	Hausman	Lanning	Nornes	Sertich	
Dempsey	Heidgerken	Larson	Opatz	Sieben	

Those who voted in the negative were:

Buesgens	Eastlund	Holberg	Nelson, P.	Severson	Zellers
Charron	Emmer	Kohls	Olson	Vandever	
DeLaForest	Erickson	Krinkie	Peppin	Wilkin	

The bill was passed and its title agreed to.

H. F. No. 949, A bill for an act relating to health; increasing consumer protection for hearing aid users; amending Minnesota Statutes 2004, sections 153A.15, subdivision 1; 153A.19, subdivision 2.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 134 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abeler	Dill	Hilstrom	Latz	Ozment	Slawik
Abrams	Dittrich	Hilty	Lenczewski	Paulsen	Smith
Anderson, B.	Dorman	Holberg	Lesch	Paymar	Soderstrom
Anderson, I.	Dorn	Hoppe	Liebling	Pelowski	Solberg
Atkins	Eastlund	Hornstein	Lieder	Penas	Sykora
Beard	Eken	Hortman	Lillie	Peppin	Thao
Bernardy	Ellison	Hosch	Loeffler	Peterson, A.	Thissen
Blaine	Emmer	Howes	Magnus	Peterson, N.	Tingelstad
Bradley	Entenza	Huntley	Mahoney	Peterson, S.	Urdahl
Brod	Erhardt	Jaros	Mariani	Poppe	Vandever
Buesgens	Erickson	Johnson, J.	Marquart	Powell	Wagenius
Carlson	Finstad	Johnson, R.	McNamara	Rukavina	Walker
Charron	Fritz	Johnson, S.	Meslow	Ruth	Wardlow
Clark	Garofalo	Juhnke	Moe	Ruud	Welti
Cornish	Gazelka	Kahn	Mullery	Sailer	Westerberg
Cox	Goodwin	Kelliher	Murphy	Samuelson	Westrom
Cybart	Greiling	Klinzing	Nelson, M.	Scalze	Wilkin
Davids	Gunther	Knobloch	Nelson, P.	Seifert	Zellers
Davnie	Hackbarth	Koenen	Newman	Sertich	Spk. Sviggum
Dean	Hamilton	Kohls	Nornes	Severson	
DeLaForest	Hansen	Krinkie	Olson	Sieben	
Demmer	Hausman	Lanning	Opatz	Simon	
Dempsey	Heidgerken	Larson	Otremba	Simpson	

The bill was passed and its title agreed to.

H. F. No. 1583 was reported to the House.

Meslow moved to amend H. F. No. 1583, the first engrossment, as follows:

Page 2, line 11, after the second comma, insert "exchange," and after "or" insert "other"

The motion prevailed and the amendment was adopted.

H. F. No. 1583, A bill for an act relating to consumer protection; regulating membership travel contracts; amending Minnesota Statutes 2004, sections 325G.50; 325G.505, subdivision 3; 325G.51; proposing coding for new law in Minnesota Statutes, chapter 325G.

The bill was read for the third time, as amended, and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 134 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abeler	Dill	Hilstrom	Latz	Ozment	Slawik
Abrams	Dittrich	Hilty	Lenczewski	Paulsen	Smith
Anderson, B.	Dorman	Holberg	Lesch	Paymar	Soderstrom
Anderson, I.	Dorn	Hoppe	Liebling	Pelowski	Solberg
Atkins	Eastlund	Hornstein	Lieder	Penas	Sykora
Beard	Eken	Hortman	Lillie	Peppin	Thao
Bernardy	Ellison	Hosch	Loeffler	Peterson, A.	Thissen
Blaine	Emmer	Howes	Magnus	Peterson, N.	Tingelstad
Bradley	Entenza	Huntley	Mahoney	Peterson, S.	Urdahl
Brod	Erhardt	Jaros	Mariani	Poppe	Vandever
Buesgens	Erickson	Johnson, J.	Marquart	Powell	Wagenius
Carlson	Finstad	Johnson, R.	McNamara	Rukavina	Walker
Charron	Fritz	Johnson, S.	Meslow	Ruth	Wardlow
Clark	Garofalo	Juhnke	Moe	Ruud	Werti
Cornish	Gazelka	Kahn	Mullery	Sailer	Westerberg
Cox	Goodwin	Kelliher	Murphy	Samuelson	Westrom
Cybart	Greiling	Klinzing	Nelson, M.	Scalze	Wilkin
Davids	Gunther	Knoblach	Nelson, P.	Seifert	Zellers
Davnie	Hackbarth	Koenen	Newman	Sertich	Spk. Sviggum
Dean	Hamilton	Kohls	Nornes	Severson	
DeLaForest	Hansen	Krinkie	Olson	Sieben	
Demmer	Hausman	Lanning	Opatz	Simon	
Dempsey	Heidgerken	Larson	Otremba	Simpson	

The bill was passed, as amended, and its title agreed to.

H. F. No. 732, A bill for an act relating to local government; authorizing electric or utility special assessments exceeding standards on petition of all affected owners; amending Minnesota Statutes 2004, section 429.021, subdivision 1.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 133 yeas and 1 nay as follows:

Those who voted in the affirmative were:

Abeler	Carlson	Dempsey	Erickson	Hausman	Jaros
Abrams	Charron	Dill	Finstad	Heidgerken	Johnson, J.
Anderson, B.	Clark	Dittrich	Fritz	Hilstrom	Johnson, R.
Anderson, I.	Cornish	Dorman	Garofalo	Hilty	Johnson, S.
Atkins	Cox	Dorn	Gazelka	Holberg	Juhnke
Beard	Cybart	Eastlund	Goodwin	Hoppe	Kahn
Bernardy	Davids	Eken	Greiling	Hornstein	Kelliher
Blaine	Davnie	Ellison	Gunther	Hortman	Klinzing
Bradley	Dean	Emmer	Hackbarth	Hosch	Knoblach
Brod	DeLaForest	Entenza	Hamilton	Howes	Koenen
Buesgens	Demmer	Erhardt	Hansen	Huntley	Kohls

Krinkie	Mariani	Opatz	Powell	Simpson	Wardlow
Lanning	Marquart	Otremba	Rukavina	Slawik	Welti
Larson	McNamara	Ozment	Ruth	Smith	Westerberg
Latz	Meslow	Paulsen	Ruud	Soderstrom	Westrom
Lenczewski	Moe	Paymar	Sailer	Solberg	Wilkin
Lesch	Mullery	Pelowski	Samuelson	Sykora	Zellers
Liebling	Murphy	Penas	Scalze	Thao	Spk. Sviggum
Lieder	Nelson, M.	Peppin	Seifert	Thissen	
Lillie	Nelson, P.	Peterson, A.	Sertich	Tingelstad	
Loeffler	Newman	Peterson, N.	Severson	Urdahl	
Magnus	Nornes	Peterson, S.	Sieben	Wagenius	
Mahoney	Olson	Poppe	Simon	Walker	

Those who voted in the negative were:

Vandev eer

The bill was passed and its title agreed to.

Paulsen moved that the remaining bills on the Calendar for the Day be continued. The motion prevailed.

There being no objection, the order of business reverted to Messages from the Senate.

MESSAGES FROM THE SENATE

The following message was received from the Senate:

Mr. Speaker:

I hereby announce the passage by the Senate of the following House File, herewith returned, as amended by the Senate, in which amendments the concurrence of the House is respectfully requested:

H. F. No. 902, A bill for an act relating to state government; appropriating money for environmental and natural resources purposes; establishing and modifying certain programs; reorganizing environmental agencies; providing for regulation of certain activities and practices; providing for accounts, assessments, and fees; amending Minnesota Statutes 2004, sections 15.01; 16A.125, subdivision 5; 84.027, subdivisions 12, 15, by adding a subdivision; 84.0274, by adding subdivisions; 84.0911, subdivision 2; 84.631; 84.775, subdivision 1; 84.788, subdivision 3, by adding a subdivision; 84.789, by adding a subdivision; 84.791, subdivisions 1, 2; 84.798, subdivision 1, by adding a subdivision; 84.804, subdivision 3; 84.82, subdivision 2, by adding a subdivision; 84.8205, subdivisions 1, 3, 4, 6; 84.83, subdivision 3; 84.86, subdivision 1; 84.91, subdivision 1; 84.922, subdivision 2, by adding a subdivision; 84.925, subdivision 1, by adding a subdivision; 84.9256, subdivision 1; 84.9257; 84.926; 84.928, subdivisions 1, 2; 84D.03, subdivision 4; 85.015, subdivision 5; 85.053, subdivisions 1, 2; 85.055, subdivision 2, by adding a subdivision; 85.42; 85.43; 86B.415, subdivisions 1, 2, 3, 4, 5, 6, by adding a subdivision; 88.17, subdivision 1, by adding subdivisions; 88.6435, subdivision 4; 89.039, subdivision 1; 89.19, subdivision 2; 89.36, subdivision 2; 89.37, subdivision 4; 92.03, subdivision 4; 93.22, subdivision 1; 94.342, subdivisions 1, 3, 4, 5; 94.343, subdivisions 1, 3, 7, 8, 10, by adding subdivisions; 94.344, subdivisions 1, 3, 5, 8, 10, by adding a subdivision; 97A.055,

subdivision 4b; 97A.061, by adding a subdivision; 97A.071, subdivision 2; 97A.075, subdivision 3; 97A.135, subdivision 2a; 97A.4742, subdivision 4; 97A.485, subdivisions 6, 7; 97A.551, by adding a subdivision; 97B.015, subdivisions 1, 2, 5, 7; 97B.020; 97B.025; 97C.085; 97C.327; 97C.395, subdivision 1; 103F.535, subdivision 1; 103G.271, subdivision 6; 103G.301, subdivision 2; 103G.615, subdivision 2; 103I.681, subdivision 11; 115.06, subdivision 4; 115.551; 115A.03, subdivisions 21, 32a; 115A.06, subdivision 5; 115A.07, subdivision 1; 115A.072, subdivision 1; 115A.12; 115A.15, subdivision 7; 115A.38, subdivision 1; 115A.545, subdivision 1; 115A.929; 116.03, subdivision 1; 116.07, subdivision 4b; 116P.02, by adding a subdivision; 116P.03; 116P.04, subdivision 5; 116P.05, subdivision 2; 116P.07; 116P.08, subdivisions 3, 5, 6, 7, by adding subdivisions; 116P.09; 116P.10; 116P.11; 116P.12, subdivision 2; 116P.15, subdivision 2; 168.1296, subdivision 1; 169A.63, subdivision 6; 216B.2424, subdivisions 1, 2, 5a, 6, 8, by adding a subdivision; 282.08; 282.38, subdivision 1; 296A.18, subdivision 2; 297H.13, subdivision 2; 349.12, subdivision 25; 462.357, subdivision 1e; 473.846; 477A.12, by adding a subdivision; 477A.145; Laws 2003, chapter 128, article 1, section 5, subdivision 6; Laws 2003, chapter 128, article 1, section 9, subdivision 6; Laws 2003, chapter 128, article 1, section 167, subdivision 1; Laws 2004, chapter 220, section 1; proposing coding for new law in Minnesota Statutes, chapters 84; 86B; 92; 93; 97C; 116; 116P; 473; repealing Minnesota Statutes 2004, sections 84.901; 85.054, subdivision 1; 94.343, subdivision 6; 94.344, subdivision 6; 94.348; 94.349; 115A.03, subdivisions 8a, 22a; 115A.055, subdivision 1; 115A.158, subdivision 3; 115D.03, subdivision 4; 116.02, subdivision 5; 116.04; 116P.02, subdivisions 2, 4; 116P.05; 116P.06; 116P.08, subdivision 4; 473.197, subdivisions 1, 2, 3, 5; 473.801, subdivision 6.

PATRICK E. FLAHAVEN, Secretary of the Senate

Ozment moved that the House refuse to concur in the Senate amendments to H. F. No. 902, that the Speaker appoint a Conference Committee of 5 members of the House, and that the House requests that a like committee be appointed by the Senate to confer on the disagreeing votes of the two houses. The motion prevailed.

MOTIONS AND RESOLUTIONS

The Speaker resumed the Chair.

Kahn moved that H. F. No. 1009 be recalled from the Committee on Regulated Industries and be re-referred to the Committee on State Government Finance.

A roll call was requested and properly seconded.

The question was taken on the Kahn motion and the roll was called. There were 66 yeas and 68 nays as follows:

Those who voted in the affirmative were:

Abeler	Charron	Demmer	Gazelka	Howes	Krinkie
Abrams	Cornish	Dorman	Gunther	Jaros	Lanning
Beard	Cox	Emmer	Hackbarth	Johnson, J.	Magnus
Blaine	Cybart	Erhardt	Hamilton	Kahn	McNamara
Bradley	Dauids	Erickson	Heidgerken	Klinzing	Meslow
Brod	Dean	Finstad	Holberg	Knoblach	Nelson, P.
Buesgens	DeLaForest	Garofalo	Hoppe	Kohls	Newman

Nornes	Penas	Samuelson	Smith	Urdahl	Westrom
Opatz	Peppin	Seifert	Soderstrom	Vandev eer	Wilkin
Ozment	Powell	Severson	Sykora	Wardlow	Zellers
Paulsen	Ruth	Simpson	Tingelstad	Westerberg	Spk. Sviggum

Those who voted in the negative were:

Anderson, B.	Eken	Hosch	Lieder	Paymar	Simon
Anderson, I.	Ellison	Huntley	Lillie	Pelowski	Slawik
Atkins	Entenza	Johnson, R.	Loeffler	Peterson, A.	Solberg
Bernardy	Fritz	Johnson, S.	Mahoney	Peterson, N.	Thao
Carlson	Goodwin	Juhnke	Mariani	Peterson, S.	Thissen
Clark	Greiling	Kelliher	Marquart	Poppe	Wagenius
Davnie	Hansen	Koenen	Moe	Rukavina	Walker
Dempsey	Hausman	Larson	Mullery	Ruud	Walti
Dill	Hilstrom	Latz	Murphy	Sailer	
Dittrich	Hilty	Lenczewski	Nelson, M.	Scalze	
Dorn	Hornstein	Lesch	Olson	Sertich	
Eastlund	Hortman	Liebling	Otremba	Sieben	

The motion did not prevail.

Heidgerken introduced:

House Resolution No. 14, A House resolution recognizing Minnesota's unique role in 75 years of Independent Community Banking.

The resolution was referred to the Committee on Rules and Legislative Administration.

Westrom; Mullery; Anderson, B.; Severson and Lieder introduced:

House Resolution No. 15, A House resolution recognizing the service of military war dogs.

The resolution was referred to the Committee on Rules and Legislative Administration.

ADJOURNMENT

Paulsen moved that when the House adjourns today it adjourn until 4:00 p.m., Tuesday, May 10, 2005. The motion prevailed.

Paulsen moved that the House adjourn. The motion prevailed, and the Speaker declared the House stands adjourned until 4:00 p.m., Tuesday, May 10, 2005.

ALBIN A. MATHIOWETZ, Chief Clerk, House of Representatives

