

## STATE OF MINNESOTA

## EIGHTY-FIFTH SESSION — 2007

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FIFTY-FIFTH DAY

SAINT PAUL, MINNESOTA, WEDNESDAY, APRIL 25, 2007

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

Prayer was offered by the Reverend Greg Renstrom, Hamline United Methodist Church, St. Paul, 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	Dill	Hilstrom	Lieder	Ozment	Solberg
Anderson, B.	Dittrich	Hilty	Lillie	Paulsen	Sviggum
Anderson, S.	Dominguez	Holberg	Loeffler	Paymar	Swails
Anzelc	Doty	Hoppe	Madore	Pelowski	Thao
Atkins	Eastlund	Hornstein	Magnus	Peppin	Thissen
Beard	Eken	Hortman	Mahoney	Peterson, A.	Tillberry
Benson	Emmer	Hosch	Mariani	Peterson, N.	Tingelstad
Berns	Erhardt	Howes	Marquart	Peterson, S.	Tschumper
Bigham	Erickson	Huntley	Masin	Poppe	Urdahl
Bly	Faust	Jaros	McFarlane	Rukavina	Wagenius
Brod	Finstad	Johnson	McNamara	Ruth	Walker
Brown	Fritz	Juhnke	Moe	Ruud	Ward
Brynaert	Gardner	Kahn	Morgan	Sailer	Wardlow
Buesgens	Garofalo	Kalin	Morrow	Scalze	Welti
Bunn	Gottwalt	Knuth	Mullery	Seifert	Westrom
Carlson	Greiling	Koenen	Murphy, E.	Sertich	Winkler
Clark	Gunther	Kohls	Murphy, M.	Severson	Wollschlager
Cornish	Hackbarth	Kranz	Nelson	Shimanski	Zellers
Davnie	Hamilton	Laine	Nornes	Simon	Spk. Kelliher
Dean	Hansen	Lanning	Norton	Simpson	
DeLaForest	Hausman	Lenczewski	Olin	Slawik	
Demmer	Haws	Lesch	Olson	Slocum	
Dettmer	Heidgerken	Liebling	Otremba	Smith	

A quorum was present.

The Chief Clerk proceeded to read the Journal of the preceding day. Ruth 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 CHIEF CLERK

S. F. No. 124 and H. F. No. 269, which had been referred to the Chief Clerk for comparison, were examined and found to be identical.

Howes moved that S. F. No. 124 be substituted for H. F. No. 269 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 875 and H. F. No. 456, which had been referred to the Chief Clerk for comparison, were examined and found to be identical.

Rukavina moved that S. F. No. 875 be substituted for H. F. No. 456 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1218 and H. F. No. 1259, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

## SUSPENSION OF RULES

Kalin moved that the rules be so far suspended that S. F. No. 1218 be substituted for H. F. No. 1259 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1262 and H. F. No. 1656, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

## SUSPENSION OF RULES

Thissen moved that the rules be so far suspended that S. F. No. 1262 be substituted for H. F. No. 1656 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1271 and H. F. No. 1500, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

## SUSPENSION OF RULES

Smith moved that the rules be so far suspended that S. F. No. 1271 be substituted for H. F. No. 1500 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1405 and H. F. No. 1433, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

## SUSPENSION OF RULES

Olin moved that the rules be so far suspended that S. F. No. 1405 be substituted for H. F. No. 1433 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1533 and H. F. No. 1209, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

#### SUSPENSION OF RULES

Mullery moved that the rules be so far suspended that S. F. No. 1533 be substituted for H. F. No. 1209 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1556 and H. F. No. 1688, which had been referred to the Chief Clerk for comparison, were examined and found to be identical.

Pelowski moved that S. F. No. 1556 be substituted for H. F. No. 1688 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1724 and H. F. No. 1577, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

#### SUSPENSION OF RULES

Lesch moved that the rules be so far suspended that S. F. No. 1724 be substituted for H. F. No. 1577 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1920 and H. F. No. 2056, which had been referred to the Chief Clerk for comparison, were examined and found to be identical.

Atkins moved that S. F. No. 1920 be substituted for H. F. No. 2056 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1966 and H. F. No. 1691, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

#### SUSPENSION OF RULES

Anzelc moved that the rules be so far suspended that S. F. No. 1966 be substituted for H. F. No. 1691 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1998 and H. F. No. 2218, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

#### SUSPENSION OF RULES

Slocum moved that the rules be so far suspended that S. F. No. 1998 be substituted for H. F. No. 2218 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 2161 and H. F. No. 1919, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

### SUSPENSION OF RULES

Marquart moved that the rules be so far suspended that S. F. No. 2161 be substituted for H. F. No. 1919 and that the House File be indefinitely postponed. The motion prevailed.

### REPORTS OF STANDING COMMITTEES AND DIVISIONS

Carlson from the Committee on Finance to which was referred:

H. F. No. 562, A bill for an act relating to towns; appropriating money for town road signs.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

"Section 1. **APPROPRIATION; TOWN ROAD SIGN REPLACEMENT PROGRAM.**

\$600,000 is appropriated from the general fund to the commissioner of transportation to implement the town road sign replacement program established in Laws 2005, First Special Session chapter 6, article 3, section 89. For the purpose of this appropriation, implementation includes the purchase and installation of new signs. This appropriation may be used to satisfy any local matching requirement for the receipt of federal funds. Designated funds not allocated by July 1, 2009, cancel and revert to the general fund. If an appropriation for this purpose is enacted more than once, the appropriation is effective only once."

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.

Carlson from the Committee on Finance to which was referred:

H. F. No. 1351, A bill for an act relating to transportation; providing for a study of long-range transportation solutions.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

"ARTICLE 1

### TRANSPORTATION POLICY

Section 1. Minnesota Statutes 2006, section 117.041, is amended by adding a subdivision to read:

**Subd. 3. Geotechnical investigation before eminent domain proceedings.** (a) A state agency by order of the commissioner or a political subdivision by resolution may enter property for purposes of investigation, monitoring, testing, surveying, boring, or other similar activities necessary or appropriate to perform geotechnical investigations.

(b) At least ten days before entering the property, the state agency or political subdivision must serve notice on the property owner requesting permission to enter the property, stating the approximate time and purpose of the entry, and giving the owner the option of refusing entry. If the property owner refuses to consent to the entry, the state agency or political subdivision must apply for a court order authorizing the entry and the removal of any sample or portion from the property, giving notice of the court order to the property owner. The court shall issue an order if the state agency or political subdivision meets the standards in paragraph (a). Notices under this paragraph must be served in the same manner as a summons in a civil action.

(c) The state agency or political subdivision must not cause any unnecessary damage to the property and must compensate the property owner for any damages actually incurred as a result of the geotechnical investigations.

Sec. 2. Minnesota Statutes 2006, section 160.02, is amended by adding a subdivision to read:

**Subd. 18a. Expressway.** "Expressway" means a divided highway with partial control of access.

Sec. 3. Minnesota Statutes 2006, section 160.02, subdivision 19, is amended to read:

**Subd. 19. Freeway or expressway.** "Freeway" or "expressway" means a divided, controlled-access highway with four or more lanes full control of access.

Sec. 4. Minnesota Statutes 2006, section 161.14, subdivision 18, is amended to read:

**Subd. 18. Voyageur Highway.** The following route is named and designated the "Voyageur Highway":

(a) Beginning at a point on Trunk Highway No. 26 on the boundary line between the states of Minnesota and Iowa; thence northerly along Trunk Highway No. 26 to its junction with Trunk Highway No. 61; thence northwesterly along Trunk Highway No. 61 to its junction with Trunk Highway No. 10 in the city of St. Paul; thence extending in a general northwesterly direction along Trunk Highway No. 10 to its junction with Trunk Highway No. 371 at Little Falls; thence extending in a general northerly direction along Trunk Highway No. 371 to its junction with Trunk Highway No. 210 at Brainerd; thence northeasterly along Trunk Highway No. 210 to its junction with Trunk Highway No. 169 at Aitkin; thence in a general northerly direction along Trunk Highway No. 169 to its junction with Trunk Highway No. 2 at Grand Rapids; thence northwesterly along Trunk Highway No. 2 to its junction with Trunk Highway No. 71 at Bemidji; thence northeasterly along Trunk Highway No. 71 to its junction with Trunk Highway No. 11 at Pelland; thence northeasterly along Trunk Highway No. 11 to its junction with Trunk Highway No. 53 at International Falls; thence southeasterly along Trunk Highway No. 53 to its junction with ~~Trunk Highway No. 61~~ Central Entrance at Duluth; Beginning at a point on Trunk Highway No. 61 at its junction with Interstate Highway 35 and thence northeasterly along Trunk Highway No. 61 to the boundary line between the state of Minnesota and the province of Ontario, Canada.

(b) The route of the Voyageur Highway designated and described in clause (a) is supplemented by legs or alternative routes described as follows:

Beginning at a point on Trunk Highway No. 1 at its junction with Trunk Highway No. 61 northerly of Silver Bay; thence northwesterly along Trunk Highway No. 1 to Ely; thence southwesterly along Trunk Highway No. 1 to its junction with Trunk Highway No. 169; thence southerly and westerly along Trunk Highway No. 169 to its junction with Trunk Highway No. 53, and there terminating.

Beginning at a point on Trunk Highway No. 11 at its junction with Trunk Highway No. 53 at International Falls; thence easterly along Trunk Highway No. 11 to its easterly terminus near Island View.

Beginning at a point on Trunk Highway No. 33 at its junction with Interstate Highway marked I-35 southerly of Cloquet, thence northerly along Trunk Highway No. 33 to its junction with Trunk Highway No. 53.

(c) The commissioner of transportation shall:

(1) adopt a suitable marking design of signs or informational plaques;

(2) effect the installation of such signs or plaques in public waysides or other public areas as approved and designated by the commissioner.

Sec. 5. Minnesota Statutes 2006, section 161.14, is amended by adding a subdivision to read:

Subd. 57. **Walter F. Mondale Drive.** Trunk Highway marked 53 from its intersection with Superior Street to its intersection with Central Entrance in the city of Duluth, as signed on the effective date of this section, is designated "Walter F. Mondale Drive." Subject to section 161.139, the commissioner of transportation shall adopt a suitable marking design to mark this highway and erect appropriate signs.

Sec. 6. Minnesota Statutes 2006, section 161.14, is amended by adding a subdivision to read:

Subd. 58. **Dallas Sams Memorial Highway.** That portion of Legislative Route No. 2, signed as Trunk Highway 210 on the date of final enactment of this section, from the city of Motley to the city of Staples, is designated as the "Dallas Sams Memorial Highway." The commissioner of transportation shall adopt a suitable design to mark this highway and erect appropriate signs, subject to section 161.139.

Sec. 7. Minnesota Statutes 2006, section 161.32, subdivision 1, is amended to read:

Subdivision 1. **Advertisement for bids.** The commissioner may conduct the work or any part of the work incidental to the construction and maintenance of the trunk highways by labor employed to do the work or by contract. In cases of construction work, the commissioner shall first advertise for bids for contracts, and if no satisfactory bids are received, may either reject all bids and readvertise, or do the work by labor employed to do the work. Except as provided in subdivision 3 or 4, when work is to be done under contract, the commissioner shall advertise for bids once each week for three successive weeks prior to the date the bids are to be received. The advertisement for bids must be published ~~in a newspaper or other periodical of general circulation in the state and may be placed~~ on the Internet. The plans and specifications for the proposed work must be on file in the commissioner's office prior to the first call for bids.

Sec. 8. Minnesota Statutes 2006, section 161.32, subdivision 1b, is amended to read:

Subd. 1b. **Lowest responsible bidder; electronic bids.** Bidders may submit bids electronically in a form and manner required by the commissioner; however, the commissioner may require that all bids ~~of \$5,000,000 and over~~ for trunk highway contracts must be submitted electronically. Notwithstanding section 13.591, subdivision 3, or any other law or rule to the contrary, bids are not required to be opened and read in public if the commissioner publishes the public data specified by section 13.591, subdivision 3, on a state Web site immediately after the deadline for receipt of bids has passed. Bids for federal-aid highway projects must be conducted in accordance with Code of Federal Regulations, title 23, section 635. Trunk highway construction contracts, including design-build contracts, must be awarded to the lowest responsible bidder, taking into consideration conformity with the specifications, the purpose for which the contract or purchase is intended, the status and capability of the vendor, and other considerations imposed in the call for bids. The commissioner may decide which is the lowest responsible bidder

for all contracts and may use the principles of life-cycle costing, when appropriate, in determining the lowest overall bid. Any or all bids may be rejected. When competitive bids are required and all bids are rejected, new bids, if solicited, must be called for as in the first instance, unless otherwise provided by law.

Sec. 9. Minnesota Statutes 2006, section 161.32, subdivision 4, is amended to read:

Subd. 4. **Trunk highways damaged by spring breakup.** Contracts may be let for the repair and restoration of trunk highways damaged by spring breakup upon advertisement for bids ~~and publication thereof in a newspaper or periodical of general circulation~~ for a period of one week prior to the date such bids are to be received, and upon the mailing of such advertisements to all contractors who have filed a written request therefor.

Sec. 10. **[161.3203] CONTRACTS FOR WORK, SUPPLIES, OR MATERIALS FOR TRUNK HIGHWAY.**

Subdivision 1. **Privatization transportation contracts.** For purposes of this section, "privatization transportation contract" means an enforceable agreement, or combination or series of agreements, by which a private contractor agrees with the commissioner of transportation to provide work, supplies, or materials (1) that is incidental to the construction or improvement of trunk highways, including but not limited to predesign, design, and preliminary engineering, or (2) for maintenance of trunk highways. A privatization transportation contract does not include a design-build contract as defined in section 161.3410, subdivision 3.

Subd. 2. **Applicability.** This section applies to privatization transportation contracts in a total amount of \$25,000 or more. The requirements imposed by this section are in addition to, and do not supersede, the requirements of any other applicable section of law.

Subd. 3. **Review of contract costs.** (a) Before entering into a privatization transportation contract, the commissioner of transportation shall prepare a comprehensive written estimate of the cost of having the same work, supplies, or materials provided in the most cost-effective manner by agency employees. The cost estimate must include all costs of having agency employees provide the work, supplies, or materials, including the cost of pension, insurance, and other employee benefits. The cost estimate is nonpublic data, as defined in section 13.02, subdivision 9, until the day after the deadline for receipt of responses under paragraph (b), when it becomes public data.

(b) After soliciting and receiving responses, the commissioner shall publicly designate the responder to which it proposes to award the privatization contract. The commissioner shall prepare a comprehensive written estimate of the cost of the proposal based on the designated responder's bid, including the cost of a transition from public to private provision of the work, any additional unemployment and retirement benefits resulting from the transfer, and costs associated with monitoring the proposed contract. If the designated responder proposes to perform any or all of the desired services outside the state, the commissioner of transportation shall include in the cost estimate, as nearly as possible, any loss of sales and income tax revenue to the state. The cost estimate must not include trade secret data which is classified as nonpublic data under section 13.37, subdivision 2.

(c) Before entering into a privatization transportation contract for \$250,000 or more, the commissioner shall determine that:

(1) the cost estimated under paragraph (b) will be lower than the cost estimated under paragraph (a);

(2) the quality of the work, supplies, or materials to be provided by the designated responder is likely to equal or exceed the quality of services that could be provided by Department of Transportation employees; and

(3) the proposed privatization contract is in the public interest.

Subd. 4. **Reports.** The commissioner shall provide, no later than September 1, an annual written report to the legislature, in compliance with sections 3.195 and 3.197, and shall submit the report to the chairs of the senate and house of representatives committees having jurisdiction over transportation. The report must list all privatization transportation contracts within the meaning of this section that were executed or performed, whether wholly or in part, in the previous fiscal year. The report must identify, with respect to each contract: the contractor; contract amount; duration; work, supplies, or materials provided or to be provided; the comprehensive estimate derived under subdivision 3, paragraph (a); the comprehensive estimate derived under subdivision 3, paragraph (b); the actual cost to the agency of the contractor's performance of the contract; and for contracts of at least \$250,000, a statement containing the commissioner's determinations under subdivision 3, paragraph (c).

Subd. 5. **Short title.** This section may be cited as the "Taxpayers' Transportation Accountability Act."

**EFFECTIVE DATE.** This section is effective August 1, 2007.

Sec. 11. Minnesota Statutes 2006, section 164.06, subdivision 2, is amended to read:

Subd. 2. **Extinguishing interest in abandoned road.** (a) After providing notice ~~under section 366.01, subdivision 8 as required in paragraph (c),~~ the town board may by resolution disclaim and extinguish a town interest in a town road without action under subdivision 1 if:

- (1) the extinguishment is found by the town board to be in the public interest;
  - (2) the interest is not a fee interest;
  - (3) the interest was established more than 25 years earlier;
  - (4) the interest is not recorded or filed with the county recorder;
  - (5) no road improvement has been constructed on a right-of-way affected by the interest within the last 25 years; and
  - (6) no road maintenance on a right-of-way affected by the interest has occurred within the last 25 years.
- (b) The resolution shall be filed with the county auditor and recorded with the county recorder.

(c) Before the meeting on any resolution to disclaim and extinguish a town interest in a town road under this subdivision, the town board shall provide notice to affected landowners in the same manner as a petitioner under section 164.07, subdivision 2. A notice must also be posted as provided under section 366.01, subdivision 8.

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

Sec. 12. Minnesota Statutes 2006, section 165.01, is amended to read:

#### **165.01 DEFINITIONS.**

Subdivision 1. **Scope.** For the purposes of this chapter, the terms defined in this section and section 160.02 ~~shall have the same meanings given them.~~

Subd. 2. **AASHTO manual.** "AASHTO manual" means the Manual for Condition Evaluation of Bridges, published by the American Association of State Highway and Transportation Officials.



Sec. 13. Minnesota Statutes 2006, section 165.03, is amended to read:

**165.03 STRENGTH OF BRIDGE; INSPECTION.**

Subdivision 1. **Standards generally.** Each bridge, including a privately owned bridge, must conform to the strength, width, clearance, and safety standards imposed by the commissioner for the connecting highway or street. This subdivision applies to a bridge that is constructed after August 1, 1989, on any public highway or street. The bridge must have sufficient strength to support with safety the maximum vehicle weights allowed under sections 169.822 to 169.829 and must have the minimum width specified in section 165.04, subdivision 3.

Subd. 1a. **Inspection.** (a) Each bridge must be inspected annually, unless a longer interval not to exceed two years for bridges or four years for bridges classified as culverts is authorized by the commissioner. The commissioner's authorization must be based on factors including, but not limited to, the age and condition of the bridge, the rate of deterioration of the bridge, the type of structure, the susceptibility of the bridge to failure, and the characteristics of traffic on the bridge. The commissioner may require interim inspections at intervals of less than one year on bridges that are posted, bridges subjected to extreme scour conditions, bridges subject to significant substructure movement or settlement, and for other reasons as specified or inferred in the AASHTO manual.

(b) The thoroughness of each inspection depends on such factors as age, traffic characteristics, state of maintenance, and known deficiencies. The evaluation of these factors is the responsibility of the engineer assigned the responsibility for inspection as defined by rule adopted by the commissioner of transportation.

Subd. 2. **Inspection and inventory responsibilities; rules; forms.** (a) The commissioner of transportation shall adopt official inventory and bridge inspection report forms for use in making bridge inspections by the owners or highway authorities specified by this subdivision. ~~Bridge Inspections shall~~ must be made at regular intervals, not to exceed two years for bridges and not to exceed four years for culverts, by the following owner or official:

(1) the commissioner of transportation for all bridges located wholly or partially within or over the right-of-way of a state trunk highway;

(2) the county highway engineer for all bridges located wholly or partially within or over the right-of-way of any county or ~~township~~ town road, or any street within a municipality ~~which~~ that does not have a city engineer regularly employed;

(3) the city engineer for all bridges located wholly or partially within or over the right-of-way of any street located within or along municipal limits;

(4) the commissioner of transportation in case of a toll bridge that is used by the general public and that is not inspected and certified under subdivision 6; provided, that the commissioner of transportation may assess the owner for the costs of ~~such~~ the inspection;

(5) the owner of a bridge over a public highway or street or that carries a roadway designated for public use by a public authority, if not required to be inventoried and inspected under clause (1), (2), (3), or (4).

(b) The commissioner of transportation shall prescribe the standards for bridge inspection and inventory by rules. The owner or highway authority shall inspect and inventory in accordance with these standards and furnish the commissioner with such data as may be necessary to maintain a central inventory.

Subd. 3. **County inventory and inspection records and reports.** The county engineer shall maintain a complete inventory record of all bridges as set forth in subdivision 2, paragraph (a), clause (2), with the inspection reports thereof, and shall certify annually to the commissioner, as prescribed by the commissioner, that inspections

have been made at regular intervals, not to exceed two years for bridges and not to exceed four years for culverts. A report of the inspections ~~shall~~ must be filed annually, on or before February 15 of each year, with the county auditor or town clerk, or the governing body of the municipality. The report ~~shall~~ must contain recommendations for the correction of, or legal posting of load limits on any bridge or structure that is found to be understrength or unsafe.

Subd. 4. **Municipal inventory and inspection records and reports.** The city engineer shall maintain a complete inventory record of all bridges as set forth in subdivision 2, paragraph (a), clause (3), with the inspection reports thereof, and shall certify annually to the commissioner, as prescribed by the commissioner, that inspections have been made at regular intervals, not to exceed two years for bridges and not to exceed four years for culverts. A report of the inspections ~~shall~~ must be filed annually, on or before February 15 of each year, with the governing body of the municipality. The report ~~shall~~ must contain recommendations for the correction of, or legal posting of load limits on any bridge or structure that is found to be understrength or unsafe.

Subd. 5. **Agreement.** Agreements may be made among the various units of governments, or between governmental units and qualified engineering personnel to carry out the responsibilities for the bridge inspections and reports, as established by subdivision 2.

Subd. 6. **Other bridges.** The owner of a toll bridge and the owner of a bridge described in subdivision 2, paragraph (a), clause (5), shall certify to the commissioner, as prescribed by the commissioner, that inspections of the bridge have been made at regular intervals, not to exceed two years for bridges and not to exceed four years for culverts. The certification ~~shall~~ must be accompanied by a report of the inspection. The report ~~shall~~ must contain recommendations for the correction of or legal posting of load limitations if the bridge is found to be understrength or unsafe.

Subd. 7. **Department of Natural Resources bridge.** (a) Notwithstanding subdivision 2, the commissioners of transportation and natural resources shall negotiate a memorandum of understanding that governs the inspection of bridges owned, operated, or maintained by the commissioner of natural resources.

(b) The memorandum of understanding must provide for:

(1) the inspection and inventory of bridges subject to federal law or regulations;

(2) the frequency of inspection of bridges described in paragraph (a); and

(3) who may perform inspections required under the memorandum of understanding.

Sec. 14. Minnesota Statutes 2006, section 168.011, subdivision 22, is amended to read:

Subd. 22. **Special mobile equipment.** "Special mobile equipment" means every vehicle not designed or used primarily for the transportation of persons or property and only incidentally operated or moved over a highway, including but not limited to: ditch-digging apparatuses, moving dollies, pump hoists and other water well-drilling equipment registered under chapter 1031, vehicle-mounted concrete pumps with or without placement booms, street-sweeping vehicles, and other machinery such as asphalt spreaders, bituminous mixers, bucket loaders, tractors other than truck-tractors, ditchers, leveling graders, finishing machines, motor graders, road rollers, scarifiers, truck-mounted log loaders, earth-moving carryalls, scrapers, power shovels, draglines, self-propelled cranes, and earth-moving equipment. The term does not include travel trailers, dump trucks, truck-mounted transit mixers, truck-mounted feed grinders, or other motor vehicles designed for the transportation of persons or property to which machinery has been attached.

Sec. 15. Minnesota Statutes 2006, section 168A.01, is amended by adding a subdivision to read:

Subd. 1a. **Commissioner.** "Commissioner" means the commissioner of public safety.

Sec. 16. Minnesota Statutes 2006, section 168A.05, subdivision 3, is amended to read:

Subd. 3. **Content of certificate.** Each certificate of title issued by the department shall contain:

(1) the date issued;

(2) the first, middle, and last names; and the dates of birth, and addresses of all owners who are natural persons, and the full names and addresses of all other owners;

(3) the residence address of the owner listed first if that owner is a natural person or the address if that owner is not a natural person;

~~(4)~~ (5) the names ~~and addresses~~ of any secured parties, and the address of the first secured party, listed in the order of priority (i) as shown on the application, or (ii) if the application is based on a certificate of title, as shown on the certificate, or (iii) as otherwise determined by the department;

~~(4)~~ (5) any liens filed pursuant to a court order or by a public agency responsible for child support enforcement against the owner;

~~(5)~~ (6) the title number assigned to the vehicle;

~~(6)~~ (7) a description of the vehicle including, so far as the following data exists, its make, model, year, identifying number, type of body, whether new or used, and if a new vehicle, the date of the first sale of the vehicle for use;

~~(7)~~ (8) with respect to ~~a motor vehicles~~ vehicle subject to ~~the provisions of~~ section 325E.15, (i) the true cumulative mileage registered on the odometer or (ii) that the actual mileage is unknown if the odometer reading is known by the owner to be different from the true mileage;

~~(8)~~ (9) with respect to ~~vehicles~~ a vehicle subject to sections 325F.6641 and 325F.6642, the appropriate term "flood damaged," "rebuilt," "prior salvage," or "reconstructed";

~~(9)~~ (10) with respect to a vehicle contaminated by methamphetamine production, if the registrar has received the certificate of title and notice described in section 152.0275, subdivision 2, paragraph (g), the term "hazardous waste contaminated vehicle"; ~~and~~

~~(10)~~ (11) with respect to a vehicle subject to section 325F.665, the term "lemon law vehicle"; and

(12) any other data the department prescribes.

Sec. 17. Minnesota Statutes 2006, section 168A.05, subdivision 5, is amended to read:

Subd. 5. **Forms.** (a) The certificate of title shall contain forms:

(1) for assignment and warranty of title by the owner;

(2) for assignment and warranty of title by a dealer;

- (3) to apply for a certificate of title by a transferee;
- (4) to name a secured party; and
- (5) to make the disclosure required by section 325F.6641.

(b) The certificate of title must also include a separate detachable ~~postcard form~~ postcard form entitled "Notice of Sale" that contains, but is not limited to, the vehicle's title number and vehicle identification number. The ~~postcard form~~ postcard form must include sufficient space for the owner to record the purchaser's name, address, and driver's license number, if any, and the date of sale. The notice of sale must include clear instructions regarding the owner's responsibility to complete and return the form, or to transmit the required information electronically in a form acceptable to the commissioner, pursuant to section 168A.10, subdivision 1.

Sec. 18. Minnesota Statutes 2006, section 168A.10, subdivision 1, is amended to read:

Subdivision 1. **Assignment and warranty of title; mileage; notice of sale.** If an owner transfers interest in a vehicle other than by the creation of a security interest, the owner shall at the time of the delivery of the vehicle execute an assignment and warranty of title to the transferee and shall state the actual selling price in the space provided on the certificate. Within ten days of the date of sale, other than a sale by or to a licensed motor vehicle dealer, the owner shall: (1) complete, detach, and return to the department the ~~postcard form~~ postcard form on the certificate entitled "Notice of Sale," if one is provided, including the transferee's name, address, and driver's license number, if any, and the date of sale; or (2) transmit this information electronically in a form acceptable to the commissioner. With respect to motor vehicles subject to the provisions of section 325E.15, the transferor shall also, in the space provided therefor on the certificate, state the true cumulative mileage registered on the odometer or that the actual mileage is unknown if the odometer reading is known by the transferor to be different from the true mileage. The transferor shall cause the certificate and assignment to be delivered to the transferee immediately.

Sec. 19. Minnesota Statutes 2006, section 168A.101, is amended to read:

#### **168A.101 CANCELLATION OF MOTOR VEHICLE SALE.**

Subdivision 1. **Required documentation.** If the parties cancel a purchase of a motor vehicle after the transfer of interest, they must submit within 90 days of the original purchase date the following items:

- (1) ~~the outstanding certificate of title with proper assignment; and a written claim for refund;~~
- (2) an affidavit correcting ownership signed by the parties; and
- (3) the outstanding certificate of title, if available, with proper assignment.

Subd. 2. **Refunds.** A party may be eligible for a refund of taxes ~~and fees paid pursuant to chapter 297B~~ only if the items indicated in subdivision 1 are submitted within the 90-day time frame unless otherwise provided by law. No other taxes or fees paid may be refunded due to the cancellation of a motor vehicle sale.

Sec. 20. Minnesota Statutes 2006, section 168A.151, subdivision 1, is amended to read:

Subdivision 1. **Salvage titles.** (a) When an insurer, licensed to conduct business in Minnesota, acquires ownership of a late-model or high-value vehicle through payment of damages, the insurer shall immediately apply for a salvage certificate of title or shall stamp the existing certificate of title with the legend "SALVAGE CERTIFICATE OF TITLE" in a manner prescribed by the department. Within 48 hours of taking possession of a vehicle through payment of damages, an insurer must notify the department in a manner prescribed by the department.

~~(b) Any person who acquires a damaged motor vehicle with an out-of-state title and the cost of repairs exceeds the value of the damaged vehicle or a motor vehicle with an out-of-state salvage title or certificate, as proof of ownership, shall immediately apply for a salvage certificate of title. A person shall immediately apply for a salvage certificate of title if the person acquires a damaged late-model or high-value motor vehicle with an out-of-state title, and the vehicle:~~

(1) is a vehicle that was acquired by an insurer through payment of damages;

(2) is a vehicle for which the cost of repairs exceeds the value of the damaged vehicle; or

(3) has an out-of-state salvage certificate of title as proof of ownership.

(c) A self-insured owner of a late-model or high-value vehicle who sustains damage by collision or other occurrence which exceeds 70 percent of its actual cash value shall immediately apply for a salvage certificate of title. Damage, for the purpose of this calculation, does not include the actual cost incurred to repair, replace, or reinstall inflatable safety restraints and other vehicle components that must be replaced due to the deployment of the inflatable safety restraints.

Sec. 21. Minnesota Statutes 2006, section 168A.153, is amended to read:

**168A.153 REPORT OF VEHICLE RECEIPT; ~~SURRENDER OF CERTIFICATE.~~**

Subdivision 1. **Older model vehicle.** A dealer who buys an older model vehicle to be dismantled or destroyed shall report to the department within 30 days including the vehicle's license plate number and identification number, and the seller's name and driver's license number.

Subd. 2. **Late-model or high-value vehicle.** A dealer who buys a late-model or high-value vehicle to be dismantled or destroyed shall notify the secured party, if any, and ~~then surrender the certificate of title and a properly completed application for a salvage certificate of title to the department within ten days~~ the commissioner in the manner prescribed in subdivision 3. The dealer must then properly destroy the certificate of title.

Subd. 3. **Notification on vehicle to be dismantled or destroyed; service fee.** Within the time frames prescribed in subdivisions 1 and 2 of acquiring a vehicle titled and registered in Minnesota, a dealer shall notify the registrar that the dealership purchased the vehicle to be dismantled or destroyed. The notification must be made electronically as prescribed by the registrar. The dealer may contract this service to a deputy registrar and the registrar may charge a fee not to exceed \$7 per transaction to provide this service.

Sec. 22. Minnesota Statutes 2006, section 169.01, subdivision 4c, is amended to read:

Subd. 4c. **Motorized foot scooter.** "Motorized foot scooter" means a device with handlebars designed to be stood or sat upon by the operator, and powered by an internal combustion engine or electric motor that is capable of propelling the device with or without human propulsion, and that has ~~either (1) no more than two ten-inch~~ 12-inch or smaller diameter wheels ~~or (2) and has an engine or motor that is capable of a maximum speed of 15 miles per hour on a flat surface with not more than one percent grade in any direction when the motor is engaged.~~ An electric personal assistive mobility device, a motorized bicycle, an electric-assisted bicycle, or a motorcycle is not a motorized foot scooter.

Sec. 23. Minnesota Statutes 2006, section 169.01, subdivision 19, is amended to read:

Subd. 19. **Explosives.** "Explosives" ~~means any chemical compound or mechanical mixture that is commonly used or intended for the purpose of producing an explosion and which contains any oxidizing and combustible units or other ingredients in such proportions, quantities, or packing that an ignition by fire, by friction, by concussion, by~~

~~percussion, or by detonator of any part of the compound or mixture may cause such a sudden generation of highly heated gases that the resultant gaseous pressures are capable of producing destructible effects on contiguous objects or of destroying life or limb~~ has the meaning given in Code of Federal Regulations, title 49, section 173.50.

Sec. 24. Minnesota Statutes 2006, section 169.01, subdivision 20, is amended to read:

Subd. 20. **Flammable liquid.** ~~"Flammable liquid" means any liquid which has a flash point of 70 degrees Fahrenheit, or less, as determined by a tagliabue or equivalent closed cup test device~~ has the meaning given in Code of Federal Regulations, title 49, section 173.120.

Sec. 25. Minnesota Statutes 2006, section 169.01, is amended by adding a subdivision to read:

Subd. 92. **Valid license; valid driver's license.** "Valid license," "valid driver's license," "valid Minnesota driver's license," "valid standard driver's license," or other similar term, has the meaning given in section 171.01, subdivision 49a.

Sec. 26. Minnesota Statutes 2006, section 169.06, subdivision 5, is amended to read:

Subd. 5. **Traffic-control signal.** (a) Whenever traffic is controlled by traffic-control signals exhibiting different colored lights, or colored lighted arrows, successively one at a time or in combination, only the colors Green, Red, and Yellow shall be used, except for special pedestrian signals carrying a word or legend. The traffic-control signal lights or colored lighted arrows indicate and apply to drivers of vehicles and pedestrians as follows:

(1) Green indication:

(i) Vehicular traffic facing a circular green signal may proceed straight through or turn right or left unless a sign at such place prohibits either turn. But vehicular traffic, including vehicles turning right or left, shall yield the right-of-way to other vehicles and to pedestrians lawfully within the intersection or adjacent crosswalk at the time this signal is exhibited.

(ii) Vehicular traffic facing a green arrow signal, shown alone or in combination with another indication, may cautiously enter the intersection only to make the movement indicated by the arrow, or other movement as permitted by other indications shown at the same time. Such vehicular traffic shall yield the right-of-way to pedestrians lawfully within an adjacent crosswalk and to other traffic lawfully using the intersection.

(iii) Unless otherwise directed by a pedestrian-control signal as provided in subdivision 6, pedestrians facing any green signal, except when the sole green signal is a turn arrow, may proceed across the roadway within any marked or unmarked crosswalk. Every driver of a vehicle shall yield the right-of-way to such pedestrian, except that the pedestrian shall yield the right-of-way to vehicles lawfully within the intersection at the time that the green signal indication is first shown.

(2) Steady yellow indication:

(i) Vehicular traffic facing a steady circular yellow or yellow arrow signal is thereby warned that the related green movement is being terminated or that a red indication will be exhibited immediately thereafter when vehicular traffic must not enter the intersection, except for the continued movement allowed by any green arrow indication simultaneously exhibited.

(ii) Pedestrians facing a circular yellow signal, unless otherwise directed by a pedestrian-control signal as provided in subdivision 6, are thereby advised that there is insufficient time to cross the roadway before a red indication is shown and no pedestrian shall then start to cross the roadway.

~~(iii) Vehicular traffic facing a steady yellow arrow signal is thereby warned that the protected vehicular movement permitted by the corresponding prior green arrow indication is being terminated.~~

(3) Steady red indication:

(i) Vehicular traffic facing a circular red signal alone must stop at a clearly marked stop line but, if none, before entering the crosswalk on the near side of the intersection or, if none, then before entering the intersection and shall remain standing until a green indication is shown, except as follows: (A) the driver of a vehicle stopped as close as practicable at the entrance to the crosswalk on the near side of the intersection or, if none, then at the entrance to the intersection in obedience to a red or stop signal, and with the intention of making a right turn may make the right turn, after stopping, unless an official sign has been erected prohibiting such movement, but shall yield the right-of-way to pedestrians and other traffic lawfully proceeding as directed by the signal at that intersection; or (B) the driver of a vehicle on a one-way street intersecting another one-way street on which traffic moves to the left shall stop in obedience to a red or stop signal and may then make a left turn into the one-way street, unless an official sign has been erected prohibiting the movement, but shall yield the right-of-way to pedestrians and other traffic lawfully proceeding as directed by the signal at that intersection.

(ii) Unless otherwise directed by a pedestrian-control signal as provided in subdivision 6, pedestrians facing a steady red signal alone shall not enter the roadway.

(iii) Vehicular traffic facing a steady red arrow signal, with the intention of making a movement indicated by the arrow, must stop at a clearly marked stop line but, if none, before entering the crosswalk on the near side of the intersection or, if none, then before entering the intersection and must remain standing until a permissive signal indication permitting the movement indicated by the red arrow is displayed, except as follows: when an official sign has been erected permitting a turn on a red arrow signal, the vehicular traffic facing a red arrow signal indication is permitted to enter the intersection to turn right, or to turn left from a one-way street into a one-way street on which traffic moves to the left, after stopping, but must yield the right-of-way to pedestrians and other traffic lawfully proceeding as directed by the signal at that intersection.

(b) In the event an official traffic-control signal is erected and maintained at a place other than an intersection, the provisions of this section are applicable except those which can have no application. Any stop required must be made at a sign or marking on the pavement indicating where the stop must be made, but in the absence of any such sign or marking the stop must be made at the signal.

(c) When a traffic-control signal indication or indications placed to control a certain movement or lane are so identified by placing a sign near the indication or indications, no other traffic-control signal indication or indications within the intersection controls vehicular traffic for that movement or lane.

Sec. 27. Minnesota Statutes 2006, section 169.14, subdivision 2, is amended to read:

Subd. 2. **Speed limits.** (a) Where no special hazard exists the following speeds shall be lawful, but any speeds in excess of such limits shall be prima facie evidence that the speed is not reasonable or prudent and that it is unlawful; except that the speed limit within any municipality shall be a maximum limit and any speed in excess thereof shall be unlawful:

(1) 30 miles per hour in an urban district or on a town road in a rural residential district;

(2) 65 miles per hour on noninterstate expressways, as defined in section 160.02, subdivision 18a, and noninterstate freeways ~~and expressways~~, as defined in section 160.02, subdivision 19;

(3) 55 miles per hour in locations other than those specified in this section;

(4) 70 miles per hour on interstate highways outside the limits of any urbanized area with a population of greater than 50,000 as defined by order of the commissioner of transportation;

(5) 65 miles per hour on interstate highways inside the limits of any urbanized area with a population of greater than 50,000 as defined by order of the commissioner of transportation;

(6) ten miles per hour in alleys; and

(7) 25 miles per hour in residential roadways if adopted by the road authority having jurisdiction over the residential roadway.

(b) A speed limit adopted under paragraph (a), clause (7), is not effective unless the road authority has erected signs designating the speed limit and indicating the beginning and end of the residential roadway on which the speed limit applies.

(c) For purposes of this subdivision, "rural residential district" means the territory contiguous to and including any town road within a subdivision or plat of land that is built up with dwelling houses at intervals of less than 300 feet for a distance of one-quarter mile or more.

(d) Notwithstanding section 609.0331 or 609.101 or other law to the contrary, a person who violates a speed limit established in this subdivision, or a speed limit designated on an appropriate sign under subdivision 4, 5, 5b, 5c, or 5e, by driving 20 miles per hour or more in excess of the applicable speed limit, is assessed an additional surcharge equal to the amount of the fine imposed for the speed violation, but not less than \$25.

Sec. 28. Minnesota Statutes 2006, section 169.34, is amended to read:

**169.34 PROHIBITIONS; STOPPING, PARKING.**

Subdivision 1. Prohibitions. (a) No person shall stop, stand, or park a vehicle, except when necessary to avoid conflict with other traffic or in compliance with the directions of a police officer or traffic-control device, in any of the following places:

(1) on a sidewalk;

(2) in front of a public or private driveway;

(3) within an intersection;

(4) within ten feet of a fire hydrant;

(5) on a crosswalk;

(6) within 20 feet of a crosswalk at an intersection;

(7) within 30 feet upon the approach to any flashing beacon, stop sign, or traffic-control signal located at the side of a roadway;

(8) between a safety zone and the adjacent curb or within 30 feet of points on the curb immediately opposite the ends of a safety zone, unless a different length is indicated by signs or markings;

(9) within 50 feet of the nearest rail of a railroad crossing;



(10) within 20 feet of the driveway entrance to any fire station and on the side of a street opposite the entrance to any fire station within 75 feet of said entrance when properly signposted;

(11) alongside or opposite any street excavation or obstruction when such stopping, standing, or parking would obstruct traffic;

(12) on the roadway side of any vehicle stopped or parked at the edge or curb of a street;

(13) upon any bridge or other elevated structure upon a highway or within a highway tunnel, except as otherwise provided by ordinance;

(14) at any place where official signs prohibit stopping.

(b) No person shall move a vehicle not owned by such person into any prohibited area or away from a curb such distance as is unlawful.

(c) No person shall, for camping purposes, leave or park a travel trailer on or within the limits of any highway or on any highway right-of-way, except where signs are erected designating the place as a campsite.

(d) No person shall stop or park a vehicle on a street or highway when directed or ordered to proceed by any peace officer invested by law with authority to direct, control, or regulate traffic.

**Subd. 2. Violation; penalty for owner or lessee.** (a) If a motor vehicle is stopped, standing, or parked in violation of subdivision 1, the owner of the vehicle, or for a leased motor vehicle the lessee of the vehicle, is guilty of a petty misdemeanor.

(b) The owner or lessee may not be fined under paragraph (a) if (1) another person is convicted for, or pleads guilty to, that violation, or (2) the motor vehicle was stolen at the time of the violation.

(c) Paragraph (a) does not apply to a lessor of a motor vehicle if the lessor keeps a record of the name and address of the lessee.

(d) Paragraph (a) does not prohibit or limit the prosecution of a motor vehicle operator for violating subdivision 1.

(e) A violation under paragraph (a) does not constitute grounds for revocation or suspension of the owner's or lessee's driver's license.

Sec. 29. Minnesota Statutes 2006, section 169.471, subdivision 1, is amended to read:

Subdivision 1. **Television screen in vehicle.** No television screen shall be installed or used in any motor vehicle where it is visible to the driver while operating the motor vehicle except:

(1) video screens installed in law enforcement vehicles;

(2) closed-circuit video systems used exclusively to aid the driver's visibility to the front, rear, or sides of the vehicle; and

(3) video screens installed as part of a vehicle control system or used in intelligent vehicle highway applications.

Sec. 30. Minnesota Statutes 2006, section 171.01, is amended by adding a subdivision to read:

Subd. 49a. **Valid license; valid driver's license.** "Valid license," "valid driver's license," "valid Minnesota driver's license," "valid standard driver's license," or other similar term, means any operator's license, provisional license, temporary license, limited license, permit, or other license to operate a motor vehicle issued or issuable under the laws of this state by the commissioner, or by another state or jurisdiction if specified, that is (1) not expired, suspended, revoked, or canceled, and (2) not disqualified for the class of vehicle being operated.

Sec. 31. Minnesota Statutes 2006, section 171.02, subdivision 1, is amended to read:

Subdivision 1. **License required; duplicate identification restricted.** (a) Except when expressly exempted, a person shall not drive a motor vehicle upon a street or highway in this state unless the person has a ~~license~~ valid license under this chapter for the type or class of vehicle being driven.

(b) The department shall not issue a driver's license to a person unless and until the person's license from any jurisdiction has been invalidated. The department shall provide to the issuing department of any jurisdiction, information that the licensee is now licensed in Minnesota. A person is not permitted to have more than one valid driver's license at any time. The department shall not issue to a person to whom a current Minnesota identification card has been issued a driver's license, other than a limited license, unless the person's Minnesota identification card has been invalidated. This subdivision does not require invalidation of a tribal identification card as a condition of receiving a driver's license.

Sec. 32. Minnesota Statutes 2006, section 171.06, subdivision 3, is amended to read:

Subd. 3. **Contents of application; other information.** (a) An application must:

(1) state the full name, date of birth, sex, and either (i) the residence address of the applicant, or (ii) the designated address under section 5B.05;

(2) as may be required by the commissioner, contain a description of the applicant and any other facts pertaining to the applicant, the applicant's driving privileges, and the applicant's ability to operate a motor vehicle with safety;

(3) state:

(i) the applicant's Social Security number; or

(ii) if the applicant does not have a social security number and is applying for a Minnesota identification card, instruction permit, or class D provisional or driver's license, that the applicant certifies that the applicant does not have a Social Security number;

(4) contain a space where the applicant may indicate a desire to make an anatomical gift according to paragraph (b); and

(5) contain a notification to the applicant of the availability of a living will/health care directive designation on the license under section 171.07, subdivision 7.

(b) If the applicant does not indicate a desire to make an anatomical gift when the application is made, the applicant must be offered a donor document in accordance with section 171.07, subdivision 5. The application must contain statements sufficient to comply with the requirements of the Uniform Anatomical Gift Act (1987), sections 525.921 to 525.9224, so that execution of the application or donor document will make the anatomical gift as provided in section 171.07, subdivision 5, for those indicating a desire to make an anatomical gift. The

application must be accompanied by information describing Minnesota laws regarding anatomical gifts and the need for and benefits of anatomical gifts, and the legal implications of making an anatomical gift, including the law governing revocation of anatomical gifts. The commissioner shall distribute a notice that must accompany all applications for and renewals of a driver's license or Minnesota identification card. The notice must be prepared in conjunction with a Minnesota organ procurement organization that is certified by the federal Department of Health and Human Services and must include:

(1) a statement that provides a fair and reasonable description of the organ donation process, the care of the donor body after death, and the importance of informing family members of the donation decision; and

(2) a telephone number in a certified Minnesota organ procurement organization that may be called with respect to questions regarding anatomical gifts.

(c) The application must be accompanied also by information containing relevant facts relating to:

(1) the effect of alcohol on driving ability;

(2) the effect of mixing alcohol with drugs;

(3) the laws of Minnesota relating to operation of a motor vehicle while under the influence of alcohol or a controlled substance; and

(4) the levels of alcohol-related fatalities and accidents in Minnesota and of arrests for alcohol-related violations.

Sec. 33. Minnesota Statutes 2006, section 171.07, subdivision 1, is amended to read:

Subdivision 1. **License; contents.** (a) Upon the payment of the required fee, the department shall issue to every qualifying applicant a license designating the type or class of vehicles the applicant is authorized to drive as applied for. This license must bear a distinguishing number assigned to the licensee; the licensee's full name; and date of birth; ~~and; either (1) the licensee's residence address, or (2) the designated address under section 5B.05; the license class, endorsements, and restrictions imposed, if any;~~ a description of the licensee in a manner as the commissioner deems necessary; and the usual signature of the licensee. No license is valid unless it bears the usual signature of the licensee. Every license must bear a colored photograph or an electronically produced image of the licensee.

(b) If the United States Postal Service will not deliver mail to the applicant's residence address as listed on the license, then the applicant shall provide verification from the United States Postal Service that mail will not be delivered to the applicant's residence address and that mail will be delivered to a specified alternate mailing address. When an applicant provides an alternate mailing address under this subdivision, the commissioner shall use the alternate mailing address in lieu of the applicant's residence address for all notices and mailings to the applicant.

(c) Every license issued to an applicant under the age of 21 must be of a distinguishing color and plainly marked "Under-21."

(d) The department shall use processes in issuing a license that prohibit, as nearly as possible, the ability to alter or reproduce a license, or prohibit the ability to superimpose a photograph or electronically produced image on a license, without ready detection.

(e) A license issued to an applicant age 65 or over must be plainly marked "senior" if requested by the applicant.

Sec. 34. Minnesota Statutes 2006, section 171.07, subdivision 3, is amended to read:

Subd. 3. **Identification card; fee.** (a) Upon payment of the required fee, the department shall issue to every qualifying applicant a Minnesota identification card. The department may not issue a Minnesota identification card to an individual who has a driver's license, other than a limited license. The card must bear a distinguishing number assigned to the applicant; a colored photograph or an electronically produced image of the applicant; the applicant's full name; and date of birth, and, either (1) the licensee's residence address, or (2) the designated address under section 5B.05; a description of the applicant in the manner as the commissioner deems necessary; and the usual signature of the applicant.

(b) If the United States Postal Service will not deliver mail to the applicant's residence address as listed on the Minnesota identification card, then the applicant shall provide verification from the United States Postal Service that mail will not be delivered to the applicant's residence address and that mail will be delivered to a specified alternate mailing address. When an applicant provides an alternate mailing address under this subdivision, the commissioner shall use the alternate mailing address in lieu of the applicant's residence address for all notices and mailings to the applicant.

(c) Each identification card issued to an applicant under the age of 21 must be of a distinguishing color and plainly marked "Under-21."

(d) Each Minnesota identification card must be plainly marked "Minnesota identification card - not a driver's license."

(e) The fee for a Minnesota identification card is 50 cents when issued to a person who is developmentally disabled, as defined in section 252A.02, subdivision 2; a physically disabled person, as defined in section 169.345, subdivision 2; or, a person with mental illness, as described in section 245.462, subdivision 20, paragraph (c).

Sec. 35. Minnesota Statutes 2006, section 171.14, is amended to read:

**171.14 CANCELLATION.**

(a) The commissioner shall have authority to may cancel any driver's license upon determination that (1) the licensee was not entitled to the issuance thereof hereunder, or that of the license, (2) the licensee failed to give the required or correct information in the application, or (3) the licensee committed any fraud or deceit in making such the application. The commissioner may also cancel the driver's license of any, or (4) the person who, at the time of the cancellation, would not have been entitled to receive a license under the provisions of section 171.04.

(b) The commissioner shall cancel the driver's license of a person described in paragraph (a), clause (3), for 60 days or until the required or correct information has been provided, whichever is longer.

Sec. 36. Minnesota Statutes 2006, section 174.01, subdivision 2, is amended to read:

Subd. 2. **Transportation goals.** The goals of the state transportation system are as follows:

(1) to provide safe transportation for users throughout the state;

(2) to provide multimodal and intermodal transportation that enhances mobility and economic development and provides access to all persons and businesses in Minnesota while ensuring that there is no undue burden placed on any community;

(3) to provide a reasonable travel time for commuters;

(4) to provide for the economical, efficient, and safe movement of goods to and from markets by rail, highway, and waterway;

(5) to encourage tourism by providing appropriate transportation to Minnesota facilities designed to attract tourists;

(6) to provide transit services throughout the state to meet the needs of transit users;

(7) to promote productivity through system management and the utilization of technological advancements;

(8) to maximize the long-term benefits received for each state transportation investment;

(9) to provide funding for transportation that, at a minimum, preserves the transportation infrastructure;

(10) to ensure that the planning and implementation of all modes of transportation are consistent with the environmental and energy goals of the state;

(11) to promote and increase the use of high-occupancy vehicle-use vehicles and low-emission vehicles;

(12) to provide an air transportation system sufficient to encourage economic growth and allow all regions of the state the ability to participate in the global economy;

(13) to increase transit use ~~in the urban areas~~ statewide by giving highest priority to the transportation modes with the greatest people-moving capacity and lowest long-term economic and environmental cost; ~~and~~

(14) to promote and increase bicycling as an energy-efficient, nonpolluting, and healthful form of transportation alternative;

(15) to reduce greenhouse gas emissions from the state's transportation sector; and

(16) accomplish these goals with minimal impact on the environment.

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

Sec. 37. Minnesota Statutes 2006, section 174.02, subdivision 1a, is amended to read:

Subd. 1a. **Mission; efficiency; legislative report, recommendations.** It is part of the department's mission that within the department's resources the commissioner 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) minimize the degradation of air and water quality;

~~(4)~~ (5) coordinate the department's activities wherever appropriate with the activities of other governmental agencies;

~~(4)~~ (5) 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)~~ (6) utilize constructive and cooperative labor-management practices to the extent otherwise required by chapters 43A and 179A;

~~(6)~~ (7) 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)~~ (8) recommend to the legislature appropriate changes in law necessary to carry out the mission and improve the performance of the department.

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

Sec. 38. Minnesota Statutes 2006, section 174.03, subdivision 1, is amended to read:

Subdivision 1. **Statewide transportation plan; priorities; schedule of expenditures.** In order to best meet the present and future transportation needs of the public, to insure a strong state economy, to make most efficient use of public and private funds, to lessen adverse environmental impacts of the transportation sector, and to promote the more efficient use of energy and other resources for transportation purposes, the commissioner shall:

(1) three months after notification that the department is ready to commence operations and prior to the drafting of the statewide transportation plan, hold public hearings as may be appropriate solely for the purpose of receiving suggestions for future transportation alternatives and priorities for the state. The Metropolitan Council, regional development commissions, and port authorities shall appear at the hearings and submit information concerning transportation-related planning undertaken and accomplished by these agencies. Other political subdivisions may appear and submit such information at the hearings. These hearings shall be completed no later than six months from the date of the commissioner's notification;

(2) develop, adopt, revise, and monitor a statewide transportation plan, taking into account the suggestions and information submitted at the public hearings held pursuant to clause (1). The plan shall incorporate all modes of transportation including bicycle commutation and recreation and provide for the interconnection and coordination of different modes of transportation. The commissioner shall evaluate ~~alternative~~ all transportation programs and facilities proposed for inclusion in the plan in terms of economic costs and benefits, safety aspects, impact on present and planned land uses, environmental effects, energy efficiency, national transportation policies and priorities, and availability of federal and other financial assistance;

(3) based upon the statewide transportation plan, develop statewide transportation priorities and schedule authorized public capital improvements and other authorized public transportation expenditures pursuant to the priorities;

(4) complete the plan and priorities required by this subdivision no later than July 1, 1978. Upon completion of the plan and priorities, the commissioner shall prepare and periodically revise, as necessary, the schedule of authorized public transportation expenditures. The plan, priorities, and schedule are exempt from the provisions of the Administrative Procedure Act.

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

Sec. 39. Minnesota Statutes 2006, section 174.03, is amended by adding a subdivision to read:

Subd. 10. **Highway construction training.** (a) The commissioner of transportation shall utilize, to the maximum amount feasible, federal funds available to this state under United States Code, title 23, section 140, paragraph (b), to develop, conduct, and administer highway construction training, including skill improvement programs.

(b) The commissioner of transportation must report by February 1 of each odd-numbered year to the house of representatives and senate committees having jurisdiction over transportation policy and finance concerning the commissioner's compliance with paragraph (a). The report must, with respect to each of the two previous calendar years:

(1) describe the highway construction training and skill improvement programs the commissioner has conducted and administered;

(2) analyze the results of the commissioner's training programs;

(3) state the amount of federal funds available to this state under United States Code, title 23, section 140, paragraph (b); and

(4) identify the amount spent by the commissioner in conducting and administering the programs.

Sec. 40. Minnesota Statutes 2006, section 174.03, is amended by adding a subdivision to read:

**Subd. 11. Disadvantaged business enterprise program.** (a) The commissioner shall include in each contract that is funded at least in part by federal funds, sanctions for each contractor who does not meet the established project disadvantaged business enterprise goal or demonstrate good faith effort to meet the goal.

(b) The commissioner of transportation shall report by February 1 of each odd-numbered year to the house of representatives and senate committees having jurisdiction over transportation policy and finance concerning the commissioner's disadvantaged business enterprise program. The report must, with respect to each of the two previous calendar years:

(1) state the department's annual overall goal, compared with the percentage attained;

(2) explain the methodology, applicable facts, and public participation used to establish the overall goal;

(3) describe good faith efforts to meet the goal, if the goal was not attained;

(4) describe actions to address overconcentration of disadvantaged business enterprises in certain types of work;

(5) state the number of contracts that included disadvantaged business enterprise goals, the number of contractors that met established disadvantaged business enterprise goals, and sanctions imposed for lack of good faith effort; and

(6) describe contracts with no disadvantaged business enterprise goals, and, of those, state number of contracts and amount of each contract with targeted groups under section 16C.16.

Sec. 41. **[174.56] REPORT ON MAJOR HIGHWAY PROJECTS.**

**Subdivision 1. Report required.** The commissioner of transportation shall submit a report on January 15, 2008, and on January 15 of each year thereafter, on the status of major highway projects under construction or planned during the year of the report and for the ensuing 15 years. For purposes of this section, a "major highway project" is a highway project that has a total cost for all segments that the commissioner estimates at the time of the report to be at least (1) \$25,000,000 in the metropolitan highway construction district, or (2) \$10,000,000 in any nonmetropolitan highway construction district.

Subd. 2. **Report contents.** For each major highway project the report must include:

(1) a description of the project sufficient to specify its scope and location;

(2) a history of the project, including, but not limited to, previous official actions by the department or the appropriate area transportation partnership, or both, the date on which the project was first included in the state transportation improvement plan, the cost of the project at that time, the dates of environmental approval, the dates of municipal approval, the date of final geometric layout, and the date of establishment of any construction limits;

(3) the project's priority listing or rank within its construction district, if any, as well as the reasons for that listing or rank, the criteria used in prioritization or rank, any changes in that prioritization or rank since the project was first included in a department work plan, and the reasons for those changes; and

(4) past and potential future reasons for delay in letting or completing the project.

Sec. 42. Minnesota Statutes 2006, section 222.50, subdivision 7, is amended to read:

Subd. 7. **Expenditures.** (a) The commissioner may expend money from the rail service improvement account for the following purposes:

(1) to make transfers as provided under section 222.57 or to pay interest adjustments on loans guaranteed under the state rail user and rail carrier loan guarantee program;

(2) to pay a portion of the costs of capital improvement projects designed to improve rail service ~~including construction or improvement of short segments of rail line such as side track, team track, and connections between existing lines, and construction and improvement of loading, unloading, storage, and transfer facilities of a rail user or a rail carrier;~~

~~(3) to pay a portion of the costs of rehabilitation projects designed to improve rail service of a rail user or a rail carrier;~~

~~(4) to acquire, maintain, manage, and dispose of railroad right-of-way pursuant to the state rail bank program;~~

~~(5) to provide for aerial photography survey of proposed and abandoned railroad tracks for the purpose of recording and reestablishing by analytical triangulation the existing alignment of the in-place track;~~

~~(6) to pay a portion of the costs of acquiring a rail line by a regional railroad authority established pursuant to chapter 398A;~~

~~(7) to pay the state matching portion of federal grants for rail-highway grade crossing improvement projects.~~

(b) All money derived by the commissioner from the disposition of railroad right-of-way or of any other property acquired pursuant to sections 222.46 to 222.62 shall be deposited in the rail service improvement account.

Sec. 43. Minnesota Statutes 2006, section 222.63, subdivision 4, is amended to read:

Subd. 4. **Disposition permitted.** (a) The commissioner may lease any rail line or right-of-way held in the state rail bank or enter into an agreement with any person for the operation of any rail line or right-of-way for any of the purposes set forth in subdivision 2 in accordance with a fee schedule to be developed by the commissioner.



(b) The commissioner may convey any rail line or right-of-way, for consideration or for no consideration and upon other terms as the commissioner may determine to be in the public interest, to any other state agency or to a governmental subdivision of the state having power by law to utilize it for any of the purposes set forth in subdivision 2.

(c) The commissioner may convey a portion of previously acquired rail bank right-of-way to a state agency or governmental subdivision when the commissioner determines that:

(1) the portion to be conveyed is in excess of that needed for the purposes stated in subdivision 2;

(2) the conveyance is upon terms and conditions agreed upon by both the commissioner and the state agency or governmental subdivision;

(3) after the sale, the rail bank corridor will continue to meet the future public and commercial transportation and transmission needs of the state; and

(4) the conveyance will not reduce the width of the rail bank corridor to less than ~~50~~ 100 feet.

(d) The commissioner may lease previously acquired state rail bank right-of-way to a state agency or governmental subdivision or to a private entity for nontransportation purposes when:

(1) the portion to be leased is in excess of that needed for the purposes stated in subdivision 2;

(2) the lease will not reduce the useable width of the rail bank corridor to less than ~~50~~ 100 feet;

(3) the cost of the lease is based on the fair market value of the portion to be leased, as determined by appraisal;

(4) the lease allows the commissioner to terminate the lease on 90 days' written notice to the lessee; and

(5) the lease prohibits the construction or erection of any permanent structure within the ~~50-foot~~ 100-foot rail bank corridor and requires any structure erected on the leased property to be removed and the land restored to its original condition on 90 days' written notice to the lessee.

(e) Proceeds from a sale or lease must be deposited in the rail bank maintenance account described in subdivision 8.

Sec. 44. Minnesota Statutes 2006, section 222.63, is amended by adding a subdivision to read:

Subd. 9. **Rail bank property use; misdemeanors.** (a) Except for the actions of road authorities and their agents, employees, and contractors, and of utilities, in carrying out their duties imposed by permit, law, or contract, and except as otherwise provided in this section, it is unlawful to perform any of the following activities on rail bank property:

(1) obstruct any trail;

(2) deposit snow or ice;

(3) remove or place any earth, gravel, or rock without authorization;

(4) obstruct or remove any ditch-draining device, or drain any harmful or dangerous materials;

(5) erect a fence, or place or maintain any advertising, sign, or memorial;

(6) remove, injure, displace, or destroy right-of-way markers or reference or witness monuments or markers placed to preserve section or quarter-section corners defining rail bank property limits;

(7) drive upon any portion of rail bank property, except at approved crossings, and except where authorized for snowmobiles, emergency vehicles, or maintenance vehicles;

(8) deface, mar, damage, or tamper with any structure, work, material, sign, marker, paving, guardrail, drain, or any other rail bank appurtenance; or

(9) park, overhang, or abandon any unauthorized vehicle or implement of husbandry on, across, or over the limits of rail bank property.

(b) Any violation of this subdivision is a misdemeanor.

(c) The cost to remove, repair, or perform any other corrective action necessitated by a violation of this subdivision may be charged to the violator.

Sec. 45. Minnesota Statutes 2006, section 299F.60, subdivision 1, is amended to read:

Subdivision 1. **Money penalty.** Any person who violates any provision of sections 299F.56 to 299F.641, or any rule issued thereunder, ~~shall be~~ is subject to a civil penalty to be imposed by the commissioner not to exceed ~~\$10,000~~ \$100,000 for each ~~such~~ violation for each day that ~~such~~ the violation persists, except that the maximum civil penalty ~~shall~~ must not exceed ~~\$500,000~~ \$1,000,000 for any related series of violations.

Sec. 46. Minnesota Statutes 2006, section 299J.16, subdivision 1, is amended to read:

Subdivision 1. **Civil penalty.** (a) A pipeline operator who violates section 299J.07, subdivision 1, or 299J.15, or the rules of the commissioner implementing those sections, shall forfeit and pay to the state a civil penalty in an amount to be determined by the court, up to ~~\$10,000~~ \$100,000 for each day that the operator remains in violation, subject to a maximum of ~~\$500,000~~ \$1,000,000 for a related series of violations.

(b) The penalty provided under this subdivision may be recovered by an action brought by the attorney general at the request of the commissioner, in the name of the state, in connection with an action to recover expenses of the director under section 299J.13, subdivision 4:

(1) in the District Court of Ramsey County; or

(2) in the county of the defendant's residence.

Sec. 47. Minnesota Statutes 2006, section 325F.665, is amended by adding a subdivision to read:

Subd. 14. **Title branding.** (a) Upon transfer and application for title of all vehicles subject to this section, the registrar of motor vehicles shall record the term "lemon law vehicle" on the certificate of title and all subsequent certificates of title for that vehicle.

(b) For vehicles with out-of-state titles that bear the term "lemon law vehicle," or any similar term, the registrar of motor vehicles shall record the term "lemon law vehicle" on the first Minnesota certificate of title and all subsequent Minnesota certificates of title issued for that vehicle.

(c) The designation of "lemon law vehicle" on a certificate of title must be made by the registrar of motor vehicles in a clear and conspicuous manner, in a color different from all other writing on the certificate of title.

Sec. 48. **CULKIN SAFETY REST AREA.**

The commissioner of transportation shall reopen without delay the Culkin safety rest area, located on marked Interstate Highway 35.

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

Sec. 49. **STUDY OF TRANSPORTATION LONG-RANGE SOLUTIONS.**

(a) The commissioner of transportation shall conduct a study in consultation with other state agencies and key stakeholders to evaluate the current and long-range needs of the state's transportation system, and investigate possible strategies to meet these needs.

(b) The study must include, but is not limited to:

(1) evaluation of the current needs of the state's highway systems, bridges, and transit;

(2) analysis and quantification of the needs for the next 20 years of the state's highway systems, bridges, and transit;

(3) comparison of estimates of revenues raised by current transportation funding sources, with long-term needs of the state's transportation system;

(4) identification of options for maintenance and improvement of the state's transportation system with specific reference to the effects of potential increases in vehicle fuel economy, availability of alternative modes of transportation, and extreme fuel price volatility on future transportation revenues;

(5) analysis of alternative pricing options utilized in other states and countries, and their potential for use, public acceptance, alleviation of congestion, and revenue generation in this state; and

(6) identification of options for road-use pricing, other alternative financing mechanisms with particular consideration of key environmental impacts such as air quality, water quality, and greenhouse gas emissions, and estimates of implementation costs, user costs, and revenue.

(c) The commissioner shall report the results of the study to the legislature no later than November 1, 2008.

Sec. 50. **STUDY AND REPORT ON SPEED LIMITS.**

The commissioner of transportation shall report to the chairs of the legislative committees with jurisdiction over transportation and local government by January 30, 2008, on speed limits on local roads. The commissioner shall consult with local governments and solicit input from local governments before issuing the report. The report must include, at a minimum:

(1) whether the current statutory speed limit of 30 miles per hour in urban districts and rural residential districts is appropriate, or if there are locations where the appropriate speed limit is 25 miles per hour;

(2) whether the current statutory speed limit of 55 miles per hour in rural residential districts within a city is appropriate, or if there are locations where the appropriate speed limit is 30 miles per hour; and

(3) whether the current definitions of urban district, rural residential district, and residential roadway are appropriate, or whether and how they should be changed.

Sec. 51. **NONCOMPLIANCE WITH REAL ID ACT.**

In order to promote the security and well-being of the people of Minnesota, to avoid unneeded expense to the people, and to preserve the principles of federalism embodied in the Tenth Amendment to the United States Constitution, the commissioner of public safety is prohibited from taking any action to implement or to plan for the implementation by this state of those sections of Public Law 109-13 known as the Real ID Act.

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

Sec. 52. **NULLIFICATION OF EXPEDITED TOWN ROAD EXTINGUISHMENT.**

(a) Any extinguishment of town interest in a town road under Minnesota Statutes, section 164.06, subdivision 2, is hereby nullified if:

(1) the interest is not recorded or filed with the county recorder but is recorded or filed with the county auditor;

(2) the state or a political subdivision has constructed a road or bridge improvement on a right-of-way affected by the interest;

(3) the affected road was the only means of access to a property; and

(4) the extinguishment took place within the last ten years.

(b) Notwithstanding Minnesota Statutes, section 164.08, subdivision 1, for any nullification under paragraph (a), the affected road is hereby deemed to be a cartway. The provisions of Minnesota Statutes, section 164.08, subdivision 2, apply except that "petitioner" means the property owner for whom the only means of access to a property is by way of the affected road, and that the petitioner must not be required to pay damages for the land upon which the cartway is established, the cost of professional and other services, hearing costs, administrative costs, recording costs, or other costs and expenses.

(c) For purposes of this section, "affected road" means the road that the town board extinguished town interest in.

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

Sec. 53. **REPEALER.**

Minnesota Statutes 2006, sections 168A.05, subdivision 5a; and 325E.0951, subdivision 3a, are repealed.

ARTICLE 2

TOWING

Section 1. Minnesota Statutes 2006, section 168B.04, subdivision 2, is amended to read:

Subd. 2. **Unauthorized vehicles.** (a) Units of government and peace officers may take into custody and impound any unauthorized vehicle under section 169.041.

(b) A vehicle may also be impounded after it has been left unattended in one of the following public or private locations for the indicated period of time:

(1) in a public location not governed by section 169.041:

(i) on a highway and properly tagged by a peace officer, four hours;

(ii) located so as to constitute an accident or traffic hazard to the traveling public, as determined by a peace officer, immediately; ~~or~~

(iii) located so as to constitute an accident or traffic hazard to the traveling public within the Department of Transportation's eight-county metropolitan district, as determined by an authorized employee of the department's freeway service patrol, immediately; or

~~(iii)~~ (iv) that is a parking facility or other public property owned or controlled by a unit of government, properly posted, four hours; or

(2) on private property:

(i) that is single-family or duplex residential property, immediately;

(ii) that is private, nonresidential property, properly posted, immediately;

(iii) that is private, nonresidential property, not posted, 24 hours;

(iv) that is private, nonresidential property of an operator of an establishment for the servicing, repair, or maintenance of motor vehicles, five business days after notifying the vehicle owner by certified mail, return receipt requested, of the property owner's intention to have the vehicle removed from the property; or

(v) that is any residential property, properly posted, immediately.

(c) When a tow is requested under paragraph (b), clause (1) (iii), the department shall ensure that the tower initially requested to remove the vehicle is given the opportunity, to the greatest reasonable extent, to actually conduct and complete all towing operations requested; provided that, the owner of the vehicle to be towed has not already requested that another tower remove the vehicle, in which case the tower contacted by the owner must be given the first reasonable opportunity to conduct the towing operations required.

**EFFECTIVE DATE.** This section is effective August 1, 2007.

Sec. 2. Minnesota Statutes 2006, section 169.041, subdivision 1, is amended to read:

Subdivision 1. **Towing authority.** For purposes of this section, "towing authority" means:

(1) any local authority authorized by section 169.04 to enforce the traffic laws, and ~~also includes~~ a private towing company authorized by a local authority ~~to tow vehicles on behalf of that local authority; or~~

(2) an authorized employee of the Department of Transportation's freeway service patrol within the department's eight-county metropolitan district, and also includes a private towing company authorized by the department to tow vehicles on behalf of the department.

**EFFECTIVE DATE.** This section is effective August 1, 2007.

Sec. 3. Minnesota Statutes 2006, section 169.041, subdivision 2, is amended to read:

Subd. 2. **Towing order required.** A towing authority may not tow a motor vehicle from public property unless a peace officer or parking enforcement officer has prepared, in addition to the parking citation, a written towing report describing the motor vehicle and the reasons for towing. The report must be signed by the officer and the tow driver. Within the Department of Transportation's eight-county metropolitan district, an authorized employee of the department's freeway service patrol may order a tow from a trunk highway after preparing a written towing report provided by the Minnesota State Patrol. A citation need not be issued before the employee orders a tow. The department employee shall ensure that the tower initially requested to remove the vehicle is given the opportunity, to the greatest reasonable extent, to actually conduct and complete all towing operations requested; provided that, the owner of the vehicle to be towed has not already requested that another tower remove the vehicle, in which case the tower contacted by the owner must be given the first reasonable opportunity to conduct the towing operations required.

**EFFECTIVE DATE.** This section is effective August 1, 2007.

Sec. 4. Minnesota Statutes 2004, section 169.86, is amended by adding a subdivision to read:

Subd. 8. **Tow truck.** A tow truck or towing vehicle, when towing a disabled or damaged vehicle to a place of repair or to a place of safekeeping, may exceed the length and weight limitations of this chapter, subject to a \$300 annual permit fee and such conditions as the commissioner may prescribe.

### ARTICLE 3

#### TRANSIT

Section 1. Minnesota Statutes 2006, section 174.24, subdivision 2a, is amended to read:

Subd. 2a. **Eligible activities.** Activities eligible for assistance under the program include but are not limited to:

- (1) planning and engineering design for transit services and facilities;
- (2) capital assistance to purchase or refurbish transit vehicles and other capital expenditures necessary to provide a transit service;
- (3) operating assistance as provided under subdivision 3b; ~~and~~
- (4) partnership creation to coordinate and supplement services of county, local, and private transit providers;
- (5) design and operation of regional call centers; and
- (6) other assistance for public transit services that furthers the purposes of section 174.21.

**EFFECTIVE DATE.** This section is effective July 1, 2007.

Sec. 2. Minnesota Statutes 2006, section 174.255, is amended by adding a subdivision to read:

Subd. 1a. **Service standard.** The commissioner shall require any paratransit project that serves disabled individuals and receives assistance under section 174.24 to allow passengers to schedule trips up to four days in advance.

**EFFECTIVE DATE.** This section is effective January 1, 2010.

Sec. 3. Minnesota Statutes 2006, section 174.29, is amended by adding a subdivision to read:

Subd. 4. **Supplementary paratransit.** The commissioner shall facilitate the creation of partnerships among paratransit providers, including, but not limited to, medical assistance transportation providers, to supplement and coordinate with available county and local transit service.

**EFFECTIVE DATE.** This section is effective July 2, 2007.

Sec. 4. Minnesota Statutes 2006, section 174.29, is amended by adding a subdivision to read:

Subd. 5. **Intercounty service.** The commissioner shall require providers of service to enter into regional intercounty service agreements with adjacent counties. The commissioner, in cooperation with state agencies that assist, provide, reimburse, or regulate special transportation services, shall establish a reimbursement mechanism to facilitate reimbursement for intercounty trips.

**EFFECTIVE DATE.** This section is effective January 1, 2010.

Sec. 5. Minnesota Statutes 2006, section 174.29, is amended by adding a subdivision to read:

Subd. 6. **One-stop call centers.** The commissioner shall promote, support, and facilitate the establishment and operation of one-stop regional call centers that assist callers in arranging the most efficient and cost-effective available rides while meeting passengers' needs for special equipment.

**EFFECTIVE DATE.** This section is effective January 1, 2010.

Sec. 6. Minnesota Statutes 2006, section 174.30, subdivision 4, is amended to read:

Subd. 4. **Vehicle and equipment inspection, rules; decal; complaint contact information.** (a) The commissioner shall inspect or provide for the inspection of vehicles at least annually. In addition to scheduled annual inspections and reinspections scheduled for the purpose of verifying that deficiencies have been corrected, unannounced inspections of any vehicle may be conducted.

(b) On determining that a vehicle or vehicle equipment is in a condition that is likely to cause an accident or breakdown, the commissioner shall require the vehicle to be taken out of service immediately. The commissioner shall require that vehicles and equipment not meeting standards be repaired and brought into conformance with the standards and shall require written evidence of compliance from the operator before allowing the operator to return the vehicle to service.

(c) The commissioner shall provide in the rules procedures for inspecting vehicles, removing unsafe vehicles from service, determining and requiring compliance, and reviewing driver qualifications.

(d) The commissioner shall design a distinctive decal to be issued to special transportation service providers with a current certificate of compliance under this section. A decal is valid for one year from the last day of the month in which it is issued. A person who is subject to the operating standards adopted under this section may not provide special transportation service in a vehicle that does not conspicuously display a decal issued by the commissioner.

(e) Special transportation service providers shall prominently display in each vehicle all contact information for the submission of complaints regarding the transportation services provided to that individual.

**EFFECTIVE DATE.** This section is effective July 1, 2007.

Sec. 7. Minnesota Statutes 2006, section 174.30, subdivision 9, is amended to read:

Subd. 9. ~~Complaint data; Complaints; report; data classification.~~ (a) The commissioner shall investigate all complaints over which the commissioner has jurisdiction regarding special transportation service providers regulated under this section.

(b) By January 15, 2008, and in every subsequent even-numbered year by January 15, the commissioner shall submit a report to the chairs and ranking minority members of the house of representatives and senate committees having jurisdiction over transportation policy and finance. The report must identify each complaint investigated by the commissioner under paragraph (a), including but not limited to any findings and steps taken for resolution of the complaint.

(c) When information is furnished to the Department of Transportation that alleges a violation of this section, an operating standard adopted under this section, or section 174.315, the following data are classified as confidential data or protected nonpublic data:

- (1) names of complainants;
- (2) complaint letters; and
- (3) other unsolicited data when furnished by a person who is not the subject of the data and who is not a department employee.

**EFFECTIVE DATE.** This section is effective July 1, 2007.

Sec. 8. Minnesota Statutes 2006, section 221.091, subdivision 2, is amended to read:

Subd. 2. **Local licensing of small vehicle passenger service.** A city that licenses and regulates small vehicle passenger service must do so by ordinance. The ordinance must, at a minimum, provide for driver qualifications, insurance, vehicle safety, and periodic vehicle inspections. A city that has adopted an ordinance complying with this subdivision may enforce the registration requirement in section 221.021. A person who provides small vehicle passenger service to an individual for the purpose of obtaining nonemergency medical care and who receives reimbursement under section 256B.0625, subdivision 17, for providing the service, must comply with the rules of the commissioner adopted under section 174.30.

**EFFECTIVE DATE.** This section is effective July 1, 2007.

Sec. 9. Minnesota Statutes 2006, section 473.1466, is amended to read:

**473.1466 TRANSPORTATION SYSTEM PERFORMANCE AUDIT; TRANSIT EVALUATION.**

(a) ~~In 1997 and every four years thereafter, the council shall provide for an independent entity selected through a request for proposal process conducted nationwide to do~~ Prior to each major revision of the transportation policy plan, the council must carry out a performance audit evaluation of the ~~commuting~~ metropolitan area's transportation system as a whole. The performance ~~audit~~ evaluation must:

(1) evaluate the ~~commuting~~ area's ability to meet the ~~region's needs~~ need for effective and efficient transportation of goods and people;

(2) evaluate ~~future~~ trends and their impacts on the ~~region's~~ area's transportation system; ~~and;~~



(3) assess the region's success in meeting the currently adopted regional transportation benchmarks; and

(4) include an evaluation of the regional transit system, including a comparison with peer metropolitan regions with regard to key operating and investment measurements.

(b) The council must update the evaluation of the regional transit system every two years.

(c) The council shall use the results of the performance evaluation to make recommendations for improving the system in each revision of the transportation policy plan. The performance audit must recommend performance-funding measures.

(b) In 1999 and every four years thereafter, the council must evaluate the performance of the metropolitan transit system's operation in relationship to the regional transit performance standards developed by the council.

(d) The council must conduct a peer review of the performance evaluation using at least two nationally recognized transportation and transit consultants.

(e) The council must submit the performance evaluation to the chairs and ranking minority members of the house of representatives and senate committees and divisions with jurisdiction over transportation finance and policy.

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

Sec. 10. Minnesota Statutes 2006, section 473.166, is amended to read:

**473.166 CONTROLLED ACCESS; ~~TRANSIT FIXED-GUIDEWAY~~; APPROVAL.**

Before acquiring land for or constructing a controlled access highway ~~or transit fixed guideway~~ in the area, the state Transportation Department or local government unit proposing the acquisition or construction shall submit to the council a statement describing the proposed project. The statement must be in the form and detail required by the council. The council shall review the statement to ascertain its consistency with its policy plan and the development guide. No project may be undertaken unless the council determines that it is consistent with the policy plan. This approval is in addition to the requirements of any other statute, ordinance or rule.

Sec. 11. Minnesota Statutes 2006, section 473.386, subdivision 1, is amended to read:

Subdivision 1. **Service objectives.** The council shall implement a special transportation service, as defined in section 174.29, in the metropolitan area. The service has the following objectives:

(a) to provide greater access to transportation for the elderly, people with disabilities, and others with special transportation needs in the metropolitan area;

(b) to develop an integrated system of special transportation service providing transportation tailored to meet special individual needs in the most cost-efficient manner; and

(c) to use existing public, private, and private nonprofit providers of service ~~wherever possible~~ when feasible and cost-efficient, to supplement rather than replace existing service, and to increase the productivity of all special transportation vehicles available in the area.

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

Sec. 12. Minnesota Statutes 2006, section 473.386, subdivision 2, is amended to read:

Subd. 2. **Service contracts; management; transportation accessibility advisory committee.** (a) The council may contract for services necessary for the provision of special transportation. Transportation service provided under a contract must specify the service to be provided, the standards that must be met, and the rates for operating and providing special transportation services.

(b) The council shall establish management policies for the service and may contract with a service administrator for day-to-day administration and management of the service. Any contract must delegate to the service administrator clear authority to administer and manage the delivery of the service pursuant to council management policies and must establish performance and compliance standards for the service administrator. The council may provide directly day to day administration and management of the service and may own or lease vehicles used to provide the service.

(c) The council shall ensure that the service administrator establishes a system for registering and expeditiously responding to complaints by users, informing users of how to register complaints, and requiring providers to report on incidents that impair the safety and well-being of users or the quality of the service.

~~(d) The council shall annually report to the commissioner of transportation and the legislature on complaints and provider reports, the response of the service administrator, and steps taken by the council and the service administrator to identify causes and provide remedies to recurring problems on its special transportation services as part of the program evaluation provided for in section 473.13, subdivision 1a.~~

~~(d) Each year before renewing contracts with providers and the service administrator, the council shall provide an opportunity for the transportation accessibility advisory committee, users, and other interested persons to testify before the council concerning providers, contract terms, and other matters relating to council policies and procedures for implementing the service.~~

~~(e) The council shall provide, on an annual basis, an opportunity for users and other interested persons to provide testimony to the council concerning services provided under this section.~~

~~(e) (f) The council shall establish a Transportation Accessibility Advisory Committee consisting of 15 members and a chair to advise the council on management policies for the council's special transportation service. The Transportation Accessibility Advisory Committee must include elderly and disabled persons, other users of special transportation service, representatives of persons contracting to provide special transportation services, and representatives of appropriate agencies for elderly and disabled persons to advise the council on management policies for the service. At least half the Transportation Accessibility Advisory Committee members must be disabled or elderly persons or the representatives of disabled or elderly persons who are both ADA-certified and users of public transit in the metropolitan area. Two of the appointments to the Transportation Accessibility Advisory Committee shall be made by the Council on Disability in consultation with the chair of the Metropolitan Council.~~

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

Sec. 13. Minnesota Statutes 2006, section 473.386, subdivision 2a, is amended to read:

Subd. 2a. **Eligibility certification application and verification; penalty for fraudulent certification.** If the council requires a person to be certified as eligible for special transportation services, an applicant for certification must submit an application form and the applicant's eligibility must be verified by a type of professional specified by the council. The council shall include the notice of penalty for fraudulent certification, and;

(1) require the applicant to sign the application form and certify that the application information is accurate; and

(2) require the person ~~certifying~~ verifying the applicant applicant's eligibility to sign the eligibility certification verification form and the applicant to sign the application form, as provided in section 174.295 certify that the verifying information is accurate.

The penalty provided for in section 174.295, subdivision 4, applies to the certifications by the applicant and the person verifying the applicant's eligibility. The council must include a notice of the penalty for fraudulent certification in the application form and the eligibility verification form.

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

Sec. 14. Minnesota Statutes 2006, section 473.386, subdivision 3, is amended to read:

Subd. 3. **Duties of council.** In implementing the special transportation service, the council shall:

(a) encourage participation in the service by public, private, and private nonprofit providers of special transportation currently receiving capital or operating assistance from a public agency;

(b) when feasible and cost-efficient, contract with public, private, and private nonprofit providers that have demonstrated their ability to effectively provide service at a reasonable cost;

(c) encourage individuals using special transportation to use the type of service most appropriate to their particular needs;

~~(d) ensure that all persons providing special transportation service receive equitable treatment in the allocation of the ridership;~~

~~(e)~~ (d) require special transit service providers to allow passengers to schedule trips up to four days in advance and encourage shared rides to the greatest extent practicable;

~~(f)~~ (e) encourage public agencies that provide transportation to eligible individuals as a component of human services and educational programs to coordinate with this service and to allow reimbursement for transportation provided through the service at rates that reflect the public cost of providing that transportation;

~~(g)~~ (f) establish criteria to be used in determining individual eligibility for special transportation services;

~~(h)~~ (g) consult with the Transportation Accessibility Advisory Committee in a timely manner before changes are made in the provision of special transportation services; ~~including, but not limited to, changes in policies affecting the matters subject to hearing under subdivision 2;~~

~~(i)~~ (h) provide for effective administration and enforcement of council policies and standards; and

~~(j) annually evaluate providers of special transportation service to ensure compliance with the standards established for the program; and~~

~~(k)~~ (i) ensure that, taken as a whole including contracts with public, private, and private nonprofit providers, the geographic coverage area of the special transportation service is continuous within the boundaries of the transit taxing district, as defined as of March 1, 2006, in section 473.446, subdivision 2.

**EFFECTIVE DATE.** This section is effective the day following final enactment, except that paragraph (d) is effective January 1, 2010.

Sec. 15. Minnesota Statutes 2006, section 473.399, is amended to read:

**473.399 TRANSIT WAYS; LIGHT RAIL TRANSIT AND COMMUTER RAIL PLANNING IN METROPOLITAN AREA.**

Subdivision 1. **General requirements.** (a) The council must identify in its transportation policy plan those heavily traveled corridors where development of a transit way may be feasible and cost effective. Modes of providing service in a transit way may include bus rapid transit, light rail transit, commuter rail, or other available systems or technologies that improve transit service.

(b) After the completion of environmental studies and receipt of input from the governing body of each statutory and home rule charter city, county, and town in which a transit way is proposed to be constructed, the council must designate the locally preferred alternative transit mode with respect to the corridor.

(c) The council shall adopt a plan to ensure that any light rail transit facilities that are designated as the locally preferred alternative and that are to be constructed in the metropolitan area will be acquired, developed, owned, and capable of operation in an efficient, cost-effective, and coordinated manner in coordination with buses and other transportation modes and facilities. The plan may be developed and adopted in phases corresponding to phasing of construction of light rail. The council may incorporate into its plan appropriate elements of the plans of regional railroad authorities in order to avoid duplication of effort.

(b) The light rail transit plan or first phase of the plan required by this section must be adopted by the council before the commissioner of transportation may begin. (d) Construction of light rail transit facilities in a particular transit corridor may not commence unless and until that mode is designated as the locally preferred alternative for that corridor by the council. Following adoption of the plan, the commissioner of transportation shall act in conformity with the plan. The commissioner shall prepare or amend the final design plans as necessary to make the plans consistent with the light rail transit plan.

(c) Throughout the development and implementation of the plan, the council shall contract for or otherwise obtain engineering services to assure that the plan adequately addresses the technical aspects of light rail transit.

Subd. 1a. **Integrated transportation system.** The commissioner of transportation and the Metropolitan Council shall ensure that the light rail transit and commuter rail facilities are planned, designed, and implemented: (1) to move commuters and transit users into and out of, as well as within, the metropolitan area, and (2) to ensure that rail transit lines will interface with each other and other transportation facilities and services so as to provide a unified, integrated, and efficient multimodal transportation system.

Subd. 4. **Expenditure of state funds.** No state funds may be expended by the Metropolitan Council to study a particular light rail transit or commuter rail facility unless the funds are appropriated in legislation that identifies the route, including the origin and destination.

Sec. 16. Minnesota Statutes 2006, section 473.3993, subdivision 1, is amended to read:

Subdivision 1. **Application.** The definitions in this section apply to ~~section 473.3994~~ sections 473.3993 to 473.3997.

Sec. 17. Minnesota Statutes 2006, section 473.3993, is amended by adding a subdivision to read:

Subd. 4. **Responsible authority.** "Responsible authority" means either the Metropolitan Council or the state of Minnesota acting through the commissioner of transportation, as designated by the governor under section 473.3994, subdivision 1a, for a particular light rail transit facility.

Sec. 18. Minnesota Statutes 2006, section 473.3993, subdivision 3, is amended to read:

Subd. 3. **Final design plan.** "Final design plan" means a light rail transit plan that includes the items in the preliminary design plan and the preliminary engineering plan for the facilities proposed but with greater detail and specificity needed for construction. The final design plan must include, at a minimum:

(1) final plans for the physical design of facilities, including the right-of-way definition; environmental impacts and mitigation measures; intermodal coordination with bus operations and routes; and civil engineering plans for vehicles, track, stations, parking, and access, including disability access; and

(2) final plans for civil engineering for electrification, communication, and other similar facilities; operational rules, procedures, and strategies; capital costs; ridership; operating costs and revenues, and sources of funds for operating subsidies; financing for construction and operation; an implementation method; and other similar matters.

The final design plan must be stated with sufficient particularity and detail to allow the proposer to begin the acquisition and construction of operable facilities. If a design-build implementation method is proposed, instead of civil engineering plans the final design plan must state detailed design criteria and performance standards for the facilities.

~~The commissioner of transportation may use a design-build method of project development and construction for light rail transit. Notwithstanding any law to the contrary, the commissioner may award a design-build contract on the basis of requests for proposals or requests for qualifications without bids. "Design-build method of project development and construction" means a project delivery system in which a single contractor is responsible for both the design and construction of the project and bids the design and construction together.~~

Sec. 19. Minnesota Statutes 2006, section 473.3994, is amended to read:

#### **473.3994 LIGHT RAIL TRANSIT; DESIGN PLANS.**

Subd. 1a. **Designation of responsible authority.** For each proposed light rail transit facility in the metropolitan area, the governor must designate either the Metropolitan Council or the state of Minnesota acting through the commissioner of transportation as the entity responsible for planning, designing, acquiring, constructing, and equipping the facility. Notwithstanding such designation, the commissioner and the council may enter into one or more cooperative agreements with respect to the planning, designing, acquiring, constructing, or equipping of a particular light rail transit facility that provide for the parties to exercise their respective authorities in support of the project in a manner that best serves the project and the public.

Subd. 2. **Preliminary design plans; public hearing.** Before final design plans are prepared for a light rail transit facility in the metropolitan area, the ~~commissioner of transportation~~ responsible authority and the regional railroad authority or authorities in whose jurisdiction the line or lines are located must hold a public hearing on the physical design component of the preliminary design plans. The ~~commissioner of transportation~~ responsible authority and the regional railroad authority or authorities in whose jurisdiction the line or lines are located must provide appropriate public notice of the hearing and publicity to ensure that affected parties have an opportunity to present their views at the hearing. The ~~commissioner~~ responsible authority shall summarize the proceedings and testimony and maintain the record of a hearing held under this section, including any written statements submitted.

Subd. 3. **Preliminary design plans; local approval.** (a) At least 30 days before the hearing under subdivision 2, the ~~commissioner of transportation~~ responsible authority shall submit the physical design component of the preliminary design plans to the governing body of each statutory and home rule charter city, county, and town in which the route is proposed to be located. The city, county, or town shall hold a public hearing. Within 45 days after the hearing under subdivision 2, the city, county, or town shall review and approve or disapprove the plans for

the route to be located in the city, county, or town. A local unit of government that disapproves the plans shall describe specific amendments to the plans that, if adopted, would cause the local unit to withdraw its disapproval. Failure to approve or disapprove the plans in writing within 45 days after the hearing is deemed to be approval, unless an extension of time is agreed to by the city, county, or town and the ~~commissioner of transportation~~ responsible authority.

Subd. 4. **Preliminary design plans; council referral.** If the governing body of one or more cities, counties, or towns disapproves the preliminary design plans within the period allowed under subdivision 3, the ~~commissioner of transportation may refer the plans, along with any comments of local jurisdictions, to the Metropolitan Council.~~ The council shall hold a hearing on the plans, giving the commissioner of transportation, ~~if the responsible authority,~~ any disapproving local governmental units, and other persons an opportunity to present their views on the plans. The council may conduct independent study as it deems desirable and may mediate and attempt to resolve disagreements about the plans. Within ~~90~~ 60 days after the ~~referral hearing,~~ the council shall review the plans ~~submitted by the commissioner of transportation and the council and~~ shall decide what amendments to the plans, if any, must be made to accommodate the objections presented by the disapproving local governmental units. ~~The commissioner shall make the~~ Amendments to the plans as decided by the council must be made before continuing the planning and designing process.

Subd. 5. **Final design plans.** (a) If the final design plans incorporate a substantial change from the preliminary design plans with respect to location, length, or termini of routes; general dimension, elevation, or alignment of routes and crossings; location of tracks above ground, below ground, or at ground level; or station locations, before beginning construction, the ~~commissioner~~ responsible authority shall submit the changed component of ~~the~~ final design plans to the governing body of each statutory and home rule city, county, and town in which the changed component is proposed to be located. Within 60 days after the submission of the plans, the city, county, or town shall review and approve or disapprove the changed component located in the city, county, or town. A local unit of government that disapproves the change shall describe specific amendments to the plans that, if adopted, would cause the local unit to withdraw its disapproval. Failure to approve or disapprove the changed plans in writing within the time period is deemed to be approval, unless an extension is agreed to by the city, county, or town and the ~~commissioner~~ responsible authority.

(b) If the governing body of one or more cities, counties, or towns disapproves the changed plans within the period allowed under paragraph (a), the ~~commissioner may refer the plans, along with any comments of local jurisdictions, to the Metropolitan Council.~~ The council shall review the final design plans under the same procedure and with the same effect as provided in subdivision 4 for preliminary design plans.

Subd. 7. **Council review.** If the commissioner is the responsible authority, before proceeding with construction of a light rail transit facility, the commissioner must submit preliminary and final design plans to the Metropolitan Council. The council must review the plans for consistency with the council's development guide and approve the plans.

Subd. 8. **Metropolitan significance.** This section does not diminish or replace the authority of the council under section 473.173.

Subd. 9. **Light rail transit operating costs.** (a) Before submitting an application for federal assistance for light rail transit facilities in the metropolitan area, the ~~applicant must provide to the Metropolitan Council estimates must~~ prepare an estimate of the amount of operating subsidy which will be required to operate light rail transit in the corridor to which the federal assistance would be applied. ~~The information provided to the council estimate must~~ indicate the amount of operating subsidy estimated to be required in each of the first ten years of operation of the light rail transit facility. If the commissioner of transportation is the responsible authority, the commissioner must provide information requested by the council that is necessary to make the estimate.

(b) The council must review and evaluate the ~~information provided~~ estimate developed under paragraph (a) with regard to the effect of operating the light rail transit facility on the currently available mechanisms for financing transit in the metropolitan area.

Subd. 10. **Corridor Management Committee.** The responsible authority must establish a Corridor Management Committee ~~shall be established~~ to advise the ~~commissioner of transportation~~ responsible authority in the design and construction of light rail transit in each corridor to be constructed. The Corridor Management Committee for each corridor shall consist of the following members:

- (1) one member appointed by each city and county in which the corridor is located;
- (2) the commissioner of transportation or a designee of the commissioner;
- (3) two members appointed by the Metropolitan Council, one of whom shall be designated as the chair of the committee;
- (4) one member appointed by the Metropolitan Airports Commission, if the designated corridor provides direct service to the Minneapolis-St. Paul International Airport; and
- (5) one member appointed by the president of the University of Minnesota, if the designated corridor provides direct service to the university.

The Corridor Management Committee shall advise the ~~commissioner of transportation~~ responsible authority on issues relating to ~~the alternatives analysis~~, environmental review, preliminary design, preliminary engineering, final design, implementation method, and construction of light rail transit in the corridor.

Subd. 13. **Dispute resolution.** In the event of a dispute between any of the parties arising from the parties' respective authority and responsibility under this section, the dispute shall be submitted to the Metropolitan Council for final resolution by any party to the dispute. The Metropolitan Council shall establish ~~by July 1, 1993~~, a process to ensure a prompt and speedy resolution of the dispute. This process shall allow the parties to provide evidence and testimony in support of their positions.

Subd. 14. **Transfer of facility after construction.** If the commissioner of transportation is the responsible authority for a particular light rail transit facility, the commissioner must transfer to the Metropolitan Council all facilities constructed and all equipment and property acquired in developing the facility upon completion of construction.

Sec. 20. **[473.3995] LIGHT RAIL TRANSIT; DESIGN-BUILD METHOD.**

(a) A responsible authority may use a design-build method of project development and construction for light rail transit. Notwithstanding any law to the contrary, a responsible authority may award a design-build contract on the basis of requests for proposals or requests for qualifications without bids. "Design-build method of project development and construction" means a project delivery system in which a single contractor is responsible for both the design and construction of the project and bids the design and construction together.

(b) If a responsible authority utilizes a design-build method of project development and construction for light rail transit, the requirements and procedures in sections 161.3410 to 161.3426 apply to the procurement, subject to the following conditions and exceptions:

(1) if the Metropolitan Council is the responsible authority for a particular light rail transit project, when used in sections 161.3410 to 161.3426, (i) the terms "commissioner," "Minnesota Department of Transportation," "department," "state agencies," and "road authority" refer to the Metropolitan Council, and (ii) the term "state" refers to the Metropolitan Council except in references to state law or in references to the state as a geographical location;

(2) the provisions of section 161.3412, subdivisions 3 and 4, are not applicable to the procurement; and

(3) if any federal funds are used in developing or constructing the light rail transit project, any provisions in sections 161.3410 to 161.3426 that are inconsistent with, or prohibited by, any federal law, regulation, or other requirement are not applicable to the procurement.

Sec. 21. Minnesota Statutes 2006, section 473.3997, is amended to read:

**473.3997 FEDERAL FUNDING; LIGHT RAIL TRANSIT.**

(a) Upon completion of the alternatives analysis and draft environmental impact statement, and selection of the locally preferred alternative, for the central corridor transit improvement project each light rail transit facility, the council, the commissioner of transportation, and the affected regional rail authorities responsible authority may prepare a joint an application for federal assistance for the light rail transit facilities in the metropolitan area facility. If the commissioner is the responsible authority, the application must be reviewed and approved by the Metropolitan Council before it is submitted by the council and the commissioner. In reviewing the application the council must consider the information submitted to it operating cost estimate developed under section 473.3994, subdivision 9.

(b) Until the application described in paragraph (a) is submitted Except for the designated responsible authority for a particular light rail transit facility, no political subdivision in the metropolitan area may on its own apply for federal assistance for light rail transit planning or construction.

**Sec. 22. [473.3999] LIGHT RAIL TRANSIT CONSTRUCTION IN THE METROPOLITAN AREA; COUNCIL AUTHORITY.**

The Metropolitan Council may exercise the powers granted in this chapter and in other applicable law, as necessary, to plan, design, acquire, construct, and equip light rail transit facilities in the metropolitan area as defined in section 473.121, subdivision 2.

Sec. 23. Minnesota Statutes 2006, section 473.4051, is amended to read:

**473.4051 LIGHT RAIL TRANSIT OPERATION.**

The council shall operate all light rail transit facilities and services located in the metropolitan area upon completion of construction of the facilities and the commencement of revenue service using the facilities. The commissioner of transportation and the council may not allow the commencement of revenue service until after an appropriate period of acceptance testing to ensure safe and satisfactory performance. In assuming the operation of the system, the council must comply with section 473.415. The council shall coordinate operation of the light rail transit system with bus service to avoid duplication of service on a route served by light rail transit and to ensure the widest possible access to light rail transit lines in both suburban and urban areas by means of a feeder bus system.

Sec. 24. Minnesota Statutes 2006, section 473.408, is amended by adding a subdivision to read:

Subd. 8. **Charitable organization discount passes.** The council may offer passes, including tokens, for regular route bus service for sale to charitable organizations, described in section 501(c)(3) of the Internal Revenue Code, at a special discount.

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



Sec. 25. **REPEALER.**

(a) Minnesota Statutes 2006, sections 473.1465; and 473.247, are repealed.

(b) Laws 1999, chapter 230, section 44, is repealed.

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

Sec. 26. **EFFECTIVE DATE.**

Sections 10 and 15 to 23 are effective the day following final enactment and apply in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

ARTICLE 4

REGISTRATION PLATES

Section 1. Minnesota Statutes 2006, section 168.10, subdivision 1a, is amended to read:

Subd. 1a. **Collector's vehicle, pioneer license plate.** (a) Any motor vehicle manufactured prior to 1936 and owned and operated solely as a collector's item shall be listed for taxation and registration as follows: An affidavit shall be executed stating the name and address of the owner, the name and address of the person from whom purchased, the make of the motor vehicle, year and number of the model, the manufacturer's identification number and that the vehicle is owned and operated solely as a collector's item and not for general transportation purposes. If the ~~registrar~~ commissioner is satisfied that the affidavit is true and correct and the owner pays a \$25 tax and the plate fee authorized under section 168.12, the ~~registrar~~ commissioner shall list such vehicle for taxation and registration and shall issue a single number plate.

(b) The number plate so issued shall bear the inscription "Pioneer," "Minnesota" and the registration number or other combination of characters authorized under section 168.12, subdivision 2a, but no date. The number plate is valid without renewal as long as the vehicle is in existence in Minnesota. The ~~registrar~~ commissioner has the power to revoke said plate for failure to comply with this subdivision.

Sec. 2. Minnesota Statutes 2006, section 168.10, subdivision 1b, is amended to read:

Subd. 1b. **Collector's vehicle, classic car license plate.** (a) Any motor vehicle manufactured between and including the years 1925 and 1948, and designated by the ~~registrar of motor vehicles~~ commissioner as a classic car because of its fine design, high engineering standards, and superior workmanship, and owned and operated solely as a collector's item shall be listed for taxation and registration as follows: An affidavit shall be executed stating the name and address of the owner, the name and address of the person from whom purchased, the make of the motor vehicle, year and number of the model, the manufacturer's identification number and that the vehicle is owned and operated solely as a collector's item and not for general transportation purposes. If the ~~registrar~~ commissioner is satisfied that the affidavit is true and correct and that the motor vehicle qualifies to be classified as a classic car, and the owner pays a \$25 tax and the plate fee authorized under section 168.12, the ~~registrar~~ commissioner shall list such vehicle for taxation and registration and shall issue a single number plate.

(b) The number plate so issued shall bear the inscription "Classic Car," "Minnesota," and the registration number or other combination of characters authorized under section 168.12, subdivision 2a, but no date. The number plate is valid without renewal as long as the vehicle is in existence in Minnesota. The ~~registrar~~ commissioner has the power to revoke said plate for failure to comply with this subdivision.

(c) The following cars built between and including 1925 and 1948 are classic:

A.C.	
Adler	
Alfa Romeo	
Alvis	Speed 20, 25, and 4.3 litre.
Amilcar	
Aston Martin	
Auburn	All 8-cylinder and 12-cylinder models.
Audi	
Austro-Daimler	
Avions Voisin 12	
Bentley	
Blackhawk	
B.M.W.	Models 327, 328, and 335 only.
Brewster (Heart-front Ford)	
Bugatti	
Buick	1931 through 1942: series 90 only.
Cadillac	All 1925 through 1935. All 12's and 16's. 1936-1948: Series 63, 65, 67, 70, 72, 75, 80, 85 and 90 only. 1938-1947: 60 special only. 1940-1947: All 62 Series.
Chrysler	1926 through 1930: Imperial 80. 1929: Imperial L. 1931 through 1937: Imperial Series CG, CH, CL, and CW. All Newports and Thunderbolts. 1934 CX. 1935 C-3. 1936 C-11. 1937 through 1948: Custom Imperial, Crown Imperial Series C-15, C-20, C-24, C-27, C-33, C-37, and C-40.
Cord	
Cunningham	
Dagmar	Model 25-70 only.
Daimler	
Delage	
Delahaye	
Doble	
Dorris	
Duesenberg	
du Pont	
Franklin	All models except 1933-34 Olympic Sixes.
Frazer Nash	

Graham	1930-1931: Series 137.
Graham-Paige	1929-1930: Series 837.
Hispano Suiza	
Horch	
Hotchkiss	
Invicta	
Isotta Fraschini	
Jaguar	
Jordan	Speedway Series 'Z' only.
Kissel	1925, 1926 and 1927: Model 8-75. 1928: Model 8-90, and 8-90 White Eagle. 1929: Model 8-126, and 8-90 White Eagle. 1930: Model 8-126. 1931: Model 8-126.
Lagonda	
Lancia	
La Salle	1927 through 1933 only.
Lincoln	All models K, L, KA, and KB. 1941: Model 168H. 1942: Model 268H.
Lincoln Continental	1939 through 1948.
Locomobile	All models 48 and 90. 1927: Model 8-80. 1928: Model 8-80. 1929: Models 8-80 and 8-88.
Marmon	All 16-cylinder models. 1925: Model 74. 1926: Model 74. 1927: Model 75. 1928: Model E75. 1931: Model 88, and Big 8.
Maybach	
McFarlan	
Mercedes Benz	All models 2.2 litres and up.
Mercer	
M.G.	6-cylinder models only.
Minerva	
Nash	1931: Series 8-90. 1932: Series 9-90, Advanced 8, and Ambassador 8. 1933-1934: Ambassador 8.
Packard	1925 through 1934: All models. 1935 through 1942: Models 1200, 1201, 1202, 1203, 1204, 1205, 1207, 1208, 1400, 1401, 1402, 1403, 1404, 1405, 1407, 1408, 1500, 1501, 1502, 1506, 1507, 1508, 1603, 1604, 1605,

	1607, 1608, 1705, 1707, 1708, 1806, 1807, 1808, 1906, 1907, 1908, 2006, 2007, and 2008 only. 1946 and 1947: Models 2106 and 2126 only.
Peerless	1926 through 1928: Series 69. 1930-1931: Custom 8. 1932: Deluxe Custom 8.
Pierce Arrow	
Railton	
Renault	Grand Sport model only.
Reo	1930-1931: Royale Custom 8, and Series 8-35 and 8-52 Elite 8. 1933: Royale Custom 8.
Revere	
Roamer	1925: Series 8-88, 6-54e, and 4-75. 1926: Series 4-75e, and 8-88. 1927-1928: Series 8-88. 1929: Series 8-88, and 8-125. 1930: Series 8-125.
Rohr	
Rolls Royce	
Ruxton	
Salmson	
Squire	
Stearns Knight	
Stevens Duryea	
Steyr	
Studebaker	1929-1933: President, except model 82.
Stutz	
Sunbeam	
Talbot	
Triumph	Dolomite 8 and Gloria 6.
Vauxhall	Series 25-70 and 30-98 only.
Voisin	
Wills Saint Claire	

(d) No commercial vehicles such as hearses, ambulances, or trucks are considered to be classic cars.

Sec. 3. Minnesota Statutes 2006, section 168.10, subdivision 1c, is amended to read:

Subd. 1c. **Collector's vehicle, collector plate.** (a) The owner of any self-propelled motor vehicle, including any truck, (1) that is (i) at least 20 model years old, or (ii) at least ten model years old and with a body or engine style of which not more than 500 were manufactured in or imported into the United States in any model year, (2) that was manufactured after 1935, and (3) that is owned and operated solely as a collector's vehicle, shall list the vehicle for taxation and registration as provided in paragraph (b).

(b) The owner shall execute an affidavit stating (1) the name and address of the person from whom purchased and of the new owner, (2) the make of the motor vehicle, (3) the year and number of the model, (4) the manufacturer's identification number, (5) in the case of a vehicle described in paragraph (a), clause (1)(ii), that the vehicle has a body or engine style of which not more than 500 were manufactured or imported into the United States in any model year, and (6) that the vehicle is owned and operated solely as a collector's item and not for general transportation purposes.

(c) The owner shall provide a statement of the manufacturer or importer regarding the number of vehicles manufactured or imported during the model year.

(d) The owner shall also prove that the owner also has one or more vehicles with regular license plates.

If the registrar commissioner is satisfied that the affidavit is true and correct and the owner pays a \$25 tax and the plate fee authorized under section 168.12, the registrar commissioner shall list the vehicle for taxation and registration and shall issue a single number plate.

(e) The number plate issued shall bear the inscription "Collector," "Minnesota," and the registration number or other combination of characters authorized under section 168.12, subdivision 2a, but no date. The number plate is valid without renewal as long as the vehicle is in existence in Minnesota. The registrar commissioner has the power to revoke the plate for failure to comply with this subdivision.

Sec. 4. Minnesota Statutes 2006, section 168.10, subdivision 1d, is amended to read:

Subd. 1d. **Collector's vehicle, street rod license plate.** Any modernized motor vehicle manufactured prior to the year 1949 or designed and manufactured to resemble such vehicle shall be listed for taxation and registration as follows:

An affidavit shall be executed stating the name and address of the person from whom purchased and of the new owner, the make of the motor vehicle, year number of model, and the manufacturer's identification number. The affidavit shall further state that the vehicle is owned and operated solely as a street rod and not for general transportation purposes. The owner must also prove that the owner has one or more vehicles with regular license plates. If the registrar commissioner is satisfied that the affidavit is true and correct and the owner pays a \$25 tax and the plate fee authorized under section 168.12, the registrar commissioner shall list such vehicle for taxation and registration and shall issue a single number plate.

The number plate issued shall bear the inscription "Street Rod", "Minnesota" and the registration number or other combination of characters authorized under section 168.12, subdivision 2a, but no date. The number plate is valid without renewal as long as the vehicle is in existence in Minnesota. The registrar commissioner has the power to revoke such plate for failure to comply with this subdivision.

Sec. 5. Minnesota Statutes 2006, section 168.10, subdivision 1g, is amended to read:

Subd. 1g. **Original plates.** A vehicle registered pursuant to subdivision 1a, 1b, 1c or 1d may in lieu of being issued number plates by the registrar commissioner display original Minnesota number plates issued in the same year as the model year of the car on which they are displayed. The number of the original plates must be provided to the registrar commissioner. The original plates must be in good condition ~~and shall be used in pairs one to be displayed in the front of the car and one in the rear, except for an original plate issued in 1911, 1944, 1945, or 1946 which may be used singly and displayed at the rear of the vehicle.~~ Original Minnesota number plates shall not be used if the number on the original plate is identical to a number on any current ~~street rod~~ plate or any other plate in a numbering system used by the registrar commissioner without written authorization from the commissioner. Any person currently using plates issued pursuant to subdivision 1a, 1b, 1c or 1d shall return those plates to the registrar commissioner before substituting original plates. The ~~registrar may~~ registrar commissioner shall charge a fee of \$10 for registering the number on original plates.

Sec. 6. Minnesota Statutes 2006, section 168.10, subdivision 1h, is amended to read:

Subd. 1h. **Collector military vehicle.** (a) A motor vehicle, including a truck, shall be listed and registered under this section if it meets the following conditions:

(1) it is at least 20 years old;

(2) its first owner following its manufacture was a branch of the armed forces of the United States and it presently conforms to the vehicle specifications required during the time of military ownership, or it has been restored and presently conforms to the specifications required by a branch of the armed forces for the model year that the restored vehicle could have been owned by that branch of the armed forces; and

(3) it is owned by a nonprofit organization and operated solely as a collector's vehicle. For purposes of this subdivision, "nonprofit organization" means a corporation, society, association, foundation, or institution organized and operated exclusively for historical or educational purposes, no part of the net earnings of which inures to the benefit of a private individual.

(b) The owner of the vehicle shall execute an affidavit stating the name and address of the person from whom purchased and of the new owner; the make, year, and model number of the motor vehicle; the manufacturer's identification number; and the collector military vehicle identification number, if any, located on the exterior of the vehicle. The affidavit must affirm that the vehicle is owned by a nonprofit organization and is operated solely as a collector's item and not for general transportation purposes. If the ~~registrar~~ commissioner is satisfied that the affidavit is true and correct and the owner pays a \$25 tax and the plate fee authorized under section 168.12, the ~~registrar~~ commissioner shall list the vehicle for taxation and registration and shall issue number plates. The number plates shall bear the inscriptions "Collector" and "Minnesota" and the registration number, but no date. The number plates are valid without renewal as long as the vehicle is in existence in Minnesota. The ~~registrar~~ commissioner may revoke the plates for failure to comply with this subdivision.

(c) Notwithstanding section 168.09, 168.12, or other law to the contrary, the owner of a registered collector military vehicle is not required to display registration plates on the exterior of the vehicle if the vehicle has an exterior number identification that conforms to the identifying system for military vehicles in effect when the vehicle was last owned by the branch of the armed forces of the United States or in effect in the year to which the collector military vehicle has been restored. However, the state registration plates must be carried in or on the collector military vehicle at all times.

(d) The owner of a registered collector military vehicle that is not required to display registration plates under paragraph (c) may tow a registered trailer behind it. The trailer is not required to display registration plates if the trailer:

(1) does not exceed a gross weight of 15,000 pounds;

(2) otherwise conforms to registration, licensing, and safety laws and specifications;

(3) conforms to military specifications for appearance and identification;

(4) is intended to represent and does represent a military trailer; and

(5) carries registration plates on or in the trailer or the collector military vehicle towing the trailer.

Sec. 7. Minnesota Statutes 2006, section 168.10, subdivision 1i, is amended to read:

Subd. 1i. **Collector plate transfer.** Notwithstanding section 168.12, subdivision 1, on payment of a transfer fee of \$5, plates issued under this section may be transferred to another vehicle owned or jointly owned by the person to whom the special plates were issued or the plate may be assigned to another owner. In addition to the transfer fee a new owner must pay the \$25 plate tax ~~or~~ and any fee required by section 168.12, subdivision 2a. The \$5 fee must be paid into the state treasury and credited to the highway user tax distribution fund. License plates issued under this section may not be transferred to a vehicle not eligible for the collector's vehicle license plates.

Sec. 8. Minnesota Statutes 2006, section 168.12, subdivision 1, is amended to read:

Subdivision 1. **Plates; design, visibility, periods of issuance.** (a) The commissioner, upon approval and payment, shall issue to the applicant the plates required by this chapter, bearing the state name and an assigned vehicle registration number. The number assigned by the commissioner may be a combination of a letter or sign with figures. The color of the plates and the color of the abbreviation of the state name and the number assigned must be in marked contrast. The plates must be lettered, spaced, or distinguished to suitably indicate the registration of the vehicle according to the rules of the commissioner.

(b) When a vehicle is registered on the basis of total gross weight, the plates issued must clearly indicate by letters or other suitable insignia the maximum gross weight for which the tax has been paid.

(c) The plates must be so treated as to be at least 100 times brighter than the conventional painted number plates. When properly mounted on an unlighted vehicle, the plates, when viewed from a vehicle equipped with standard headlights, must be visible for a distance of not less than 1,500 feet and readable for a distance of not less than 110 feet.

(d) The commissioner shall issue plates for the following periods:

(1) New plates issued pursuant to section 168.012, subdivision 1, must be issued to a vehicle for as long as the vehicle is owned by the exempt agency and the plate shall not be transferable from one vehicle to another but the plate may be transferred with the vehicle from one tax-exempt agency to another.

(2) Plates issued for passenger automobiles must be issued for a seven-year period. All plates issued under this paragraph must be replaced if they are seven years old or older at the time of registration renewal or will become so during the registration period.

(3) Plates issued under sections 168.053 and 168.27, subdivisions 16 and 17, must be for a seven-year period.

(4) Plates issued under subdivisions 2c and 2d and section 168.123 must be issued for the life of the veteran under section 169.79.

(5) Plates for any vehicle not specified in clauses (1) to (3), ~~except for trailers as hereafter provided,~~ must be issued for the life of the vehicle. ~~Beginning with plates issued for the year 1981, plates issued for trailers with a total gross weight of 3,000 pounds or less must be issued for the life of the trailer and must be not more than seven inches in length and four inches in width.~~

(e) In a year in which plates are not issued, the commissioner shall issue for each registration a sticker to designate the year of registration. This sticker must show the year or years for which the sticker is issued, and is valid only for that period. The plates and stickers issued for a vehicle may not be transferred to another vehicle during the period for which the sticker is issued, except when issued for a vehicle registered under section 168.187.

(f) Despite any other provision of this subdivision, plates issued to a vehicle used for behind-the-wheel instruction in a driver education course in a public school may be transferred to another vehicle used for the same purpose without payment of any additional fee. The public school shall notify the commissioner of each transfer of plates under this paragraph. The commissioner may prescribe a format for notification.

Sec. 9. Minnesota Statutes 2006, section 168.12, subdivision 2, is amended to read:

Subd. 2. **Amateur radio licensee; special plates, rules.** (a) The commissioner shall issue amateur radio plates to an applicant who:

- (1) is an owner of a passenger automobile or recreational motor vehicle;
  - (2) is a resident of this state;
  - (3) holds an official amateur radio station license or a citizens radio service class D license, in good standing, issued by the Federal Communications Commission;
  - (4) pays the registration tax required under section 168.013;
  - (5) pays a fee of \$10 for each set of special plates and any other fees required by this chapter; and
  - (6) complies with this chapter and rules governing the registration of motor vehicles and licensing of drivers;
- (b) In lieu of the registration number required for identification under subdivision 1, the plates must indicate the official amateur call letters of the applicant, as assigned by the Federal Communications Commission, and the words "AMATEUR RADIO."
- (c) This provision for the issue of special plates applies only if the applicant's motor vehicle is already registered in Minnesota so that the applicant has valid regular Minnesota plates issued for that motor vehicle under which to operate it during the time that it will take to have the necessary special plates made.

(d) If owning more than one motor vehicle of the type specified in this subdivision, the applicant may apply for special plates for each ~~of not more than two motor vehicles~~ motor vehicle and, if each application complies with this subdivision, the commissioner shall furnish the applicant with the special plates, indicating the official amateur call letters and other distinguishing information as the commissioner considers necessary, for each of the ~~two~~ motor vehicles.

(e) The commissioner may make reasonable rules governing the use of the special plates as will assure the full compliance by the owner of the special plates, with all existing laws governing the registration of motor vehicles and the transfer and use of the plates.

(f) Despite any contrary provision of subdivision 1, the special plates issued under this subdivision may be transferred by an owner to another motor vehicle listed in paragraph (a) and registered to the same owner, upon the payment of a fee of \$5. The commissioner must be notified before the transfer and may prescribe a format for the notification.

Sec. 10. Minnesota Statutes 2006, section 168.12, subdivision 2a, is amended to read:

Subd. 2a. **Personalized plates; rules.** (a) The commissioner ~~shall~~ may issue personalized plates or, if requested for special plates issued under section 168.123 for veterans, 168.124 for medal of honor recipients, or 168.125 for former prisoners of war, applicable personalized special veterans plates, to an applicant who:



(1) is an owner of a passenger automobile including a passenger automobile registered as a classic car, pioneer car, collector car, or street rod; any truck with a manufacturer's nominal rated capacity of one ton or less and resembling a pickup truck; a motorcycle, including a classic motorcycle; a motorized bicycle; a commuter van as defined in section 168.126; or a recreational ~~motor~~ vehicle;

(2) pays a onetime fee of \$100 and any other fees required by this chapter;

(3) pays the registration tax required by this chapter for the motor vehicle; and

(4) complies with this chapter and rules governing registration of motor vehicles and licensing of drivers.

(b) The commissioner shall charge a replacement fee for personalized license plates and personalized special veterans plates issued under section 168.123 as specified in subdivision 5. This fee must be paid by the applicant whenever the personalized plates are required to be replaced by law, except that as provided in section 168.124, subdivision 3, and 168.125, subdivision 1b, no fee may be charged to replace plates issued under those sections.

(c) In lieu of the registration number assigned as provided in subdivision 1, personalized plates and personalized special veterans plates must have imprinted on them a series of not more than seven numbers and letters, or five numbers and letters for personalized special veterans plates, in any combination and, as applicable, satisfy the design requirements of section 168.123, 168.124, or 168.125. When an applicant has once obtained personalized plates or personalized special veterans plates, the applicant shall have a prior claim for similar personalized plates or personalized special veterans plates in the next succeeding year as long as current motor vehicle registration is maintained.

(d) The commissioner shall adopt rules in the manner provided by chapter 14, regulating the issuance and transfer of personalized plates and personalized special veterans plates. No words or combination of letters placed on these plates may be used for commercial advertising, be of an obscene, indecent, or immoral nature, or be of a nature that would offend public morals or decency. The call signals or letters of a radio or television station are not commercial advertising for the purposes of this subdivision.

(e) Despite the provisions of subdivision 1, personalized plates and personalized special veterans plates issued under this subdivision may be transferred to another motor vehicle listed in paragraph (a) and owned by the applicant, upon the payment of a fee of \$5.

(f) The commissioner may by rule specify the format for notification.

(g) A personalized plate or personalized special veterans plate issued for a classic car, pioneer car, collector car, street rod, or classic motorcycle may not be transferred to a vehicle not eligible for such a plate.

(h) Despite any law to the contrary, if the personalized license plates are lost, stolen, or destroyed, the applicant may apply and must be issued duplicate license plates bearing the same combination of letters and numbers and the same design as (1) the former personalized plates or personalized special veterans plates under section 168.123 upon the payment of the fee required by section 168.29 or (2) the former personalized special veterans plates issued under section 168.124 or 168.125, without charge.

Sec. 11. Minnesota Statutes 2006, section 168.12, subdivision 2b, is amended to read:

Subd. 2b. **Firefighters; special plates, rules.** (a) The commissioner shall issue special plates, or a single license plate in the case of a motorcycle plate, to any applicant who:

(1) is both a member of a fire department receiving state aid under chapter 69 and an owner of a passenger automobile, a truck with a manufacturer's nominal rated capacity of one ton and resembling a pickup truck, or a motorcycle;

(2) pays a fee of \$10 and any other fees required by this chapter;

(3) pays the registration tax required by this chapter for the motor vehicle; and

(4) complies with this chapter and rules governing the registration of motor vehicles and licensing of drivers.

(b) In lieu of the identification required under subdivision 1, the special plates must bear an emblem of a Maltese Cross together with any numbers or characters prescribed by the commissioner. ~~No applicant shall receive more than two sets of plates for motor vehicles owned by the applicant.~~

(c) Special plates issued under this subdivision may only be used during the period that the owner of the motor vehicle is a member of a fire department as specified in this subdivision. When the individual to whom the special plates were issued is no longer a member of a fire department or when the motor vehicle ownership is transferred, the owner shall remove the special plates from the motor vehicle. If the commissioner receives written notification that an individual is no longer qualified for these special plates, the commissioner shall invalidate the plates and notify the individual of this action. The individual may retain the plate only upon demonstrating compliance with the qualifications of this subdivision. Upon removal or invalidation of the special plates, or special motorcycle plate, either the owner or purchaser of the motor vehicle ~~is entitled to receive regular plates or a regular motorcycle plate for the motor vehicle without cost for the remainder of the registration period for which the special plate or plates were issued~~ shall obtain regular plates or a regular motorcycle plate for the proper registration classification for the motor vehicle.

(d) A special motorcycle license plate issued under this subdivision must be the same size as a standard motorcycle license plate.

(e) Upon payment of a fee of \$5, plates issued under this subdivision for a passenger automobile or truck may be transferred to another passenger automobile or truck owned or jointly owned by the person to whom the plates were issued. On payment of a fee of \$5, a plate issued under this subdivision for a motorcycle may be transferred to another motorcycle owned or jointly owned by the person to whom the plate was issued.

(f) The commissioner may adopt rules under the Administrative Procedure Act, sections 14.001 to 14.69, to govern the issuance and use of the special plates authorized in this subdivision.

Sec. 12. Minnesota Statutes 2006, section 168.12, subdivision 2c, is amended to read:

Subd. 2c. **National Guard; special plates, rules.** (a) The commissioner shall issue special plates to any applicant who:

(1) is a regularly enlisted, commissioned, or retired member of the Minnesota National Guard, other than an inactive member who is not a retired member, and is an owner of a passenger automobile;

(2) pays a fee of \$10 and any other fees required by this chapter;

(3) pays the registration tax required by this chapter; and

(4) complies with this chapter and rules governing the registration of motor vehicles and licensing of drivers.

(b) The adjutant general shall design the emblem for these special plates subject to the approval of the commissioner.

~~(e) An applicant must not be issued more than two sets of plates for motor vehicles registered to the applicant.~~

~~(d)~~ (c) Special plates issued under this subdivision may only be used during the period that the owner of the motor vehicle is an active or retired member of the Minnesota National Guard as specified in this subdivision. When the individual to whom the special plates were issued is no longer an active or retired member of the Minnesota National Guard, the special plates must be removed from the vehicle by the owner. If the commissioner receives written notification that an individual is no longer qualified for these special plates, the commissioner shall invalidate the plates and notify the individual of this action. The individual may retain the plate only upon demonstrating compliance with the qualifications of this subdivision. Upon removal or invalidation of the special plates, either the owner or purchaser of the motor vehicle is entitled to receive regular plates for the motor vehicle without cost for the remainder of the registration period for which the special plates were issued shall obtain regular plates for the motor vehicle.

~~(e)~~ (d) While the person is an active or retired member of the Minnesota National Guard, plates issued pursuant to this subdivision may be transferred to another motor vehicle owned by that individual upon payment of a fee of \$5.

~~(f)~~ (e) For purposes of this subdivision, "retired member" means an individual placed on the roll of retired officers or roll of retired enlisted members in the Office of the Adjutant General under section 192.18 and who is not deceased.

~~(g)~~ (f) The commissioner may adopt rules under the Administrative Procedure Act to govern the issuance and use of the special plates authorized by this subdivision.

Sec. 13. Minnesota Statutes 2006, section 168.12, subdivision 2d, is amended to read:

Subd. 2d. **Ready Reserve; special plates, rules.** (a) The commissioner shall issue special plates to an applicant who:

(1) is not eligible for special National Guard plates under subdivision 2c, is a member of the United States armed forces ready reserve as described in United States Code, title 10, section 10142 or 10143, or a retired reserve as described in United States Code, title 10, section 10154, and is an owner of a passenger automobile;

(2) pays a fee of \$10 and any other fees required by this chapter;

(3) pays the registration tax required by this chapter; and

(4) complies with this chapter and rules governing the registration of motor vehicles and licensing of drivers.

(b) The commissioner of veterans affairs shall design the emblem for these special plates subject to the approval of the commissioner.

~~(c) An applicant must not be issued more than two sets of plates for motor vehicles owned by the applicant.~~

~~(d)~~ (c) Special plates issued under this subdivision may only be used during the period that the owner of the motor vehicle is a member of the ready reserve. When the owner is no longer a member, the special plates must be removed from the motor vehicle by the owner. If the commissioner receives written notification that an individual is no longer qualified for these special plates, the commissioner shall invalidate the plates and notify the individual of

this action. The individual may retain the plate only upon demonstrating compliance with the qualifications of this subdivision. On removing removal or invalidation of the special plates, either the owner or purchaser of the motor vehicle is entitled to receive regular plates for the motor vehicle without cost for the rest of the registration period for which the special plates were issued shall obtain regular plates for the motor vehicle. While the owner is a member of the ready reserve, plates issued under this subdivision may be transferred to another motor vehicle owned by that individual on paying a fee of \$5.

~~(e)~~ (d) The commissioner may adopt rules under the Administrative Procedure Act to govern the issuance and use of the special plates authorized by this subdivision.

Sec. 14. Minnesota Statutes 2006, section 168.12, subdivision 2e, is amended to read:

Subd. 2e. **Volunteer ambulance attendants; special plates.** (a) The commissioner shall issue special license plates to an applicant who:

(1) is a volunteer ambulance attendant as defined in section 144E.001, subdivision 15, and owns a motor vehicle taxed as a passenger automobile;

(2) pays the registration tax required by this chapter for the motor vehicle;

(3) pays a fee of \$10 and any other fees required by this chapter; and

(4) complies with this chapter and rules governing the registration of motor vehicles and licensing of drivers.

~~(b) The commissioner shall not issue more than two sets of these plates to each qualified applicant.~~

~~(e)~~ (b) An individual may use special plates issued under this subdivision only during the period that the individual is a volunteer ambulance attendant. When the individual to whom the special plates were issued ceases to be a volunteer ambulance attendant, the individual shall remove each set of special plates issued. If the commissioner receives written notification that an individual is no longer qualified for these special plates, the commissioner shall invalidate the plates and notify the individual of this action. The individual may retain the plate only upon demonstrating compliance with the qualifications of this subdivision. When ownership of the motor vehicle is transferred, the individual shall remove the special plates from that motor vehicle. On removal or invalidation of each set of the special plates, the owner or purchaser of the motor vehicle, or new owner in case of a transferred motor vehicle, is entitled to receive regular plates for the motor vehicle without cost for the rest of the registration period for which the set of special plates were issued shall obtain regular plates for the motor vehicle. Special plates issued under this subdivision may be transferred to another motor vehicle owned by the volunteer ambulance attendant on payment of a fee of \$5.

~~(d)~~ (c) The commissioner may adopt rules governing the design, issuance, and sale of the special plates authorized by this subdivision.

## ARTICLE 5

### VEHICLE SIZE, WEIGHT, AND LOAD RESTRICTIONS

Section 1. Minnesota Statutes 2006, section 169.01, subdivision 78, is amended to read:

Subd. 78. **Recreational vehicle combination.** (a) "Recreational vehicle combination" means a combination of vehicles consisting of a full-size pickup truck as defined in section 168.011, subdivision 29, attached by means of a fifth-wheel coupling to a camper-semitrailer middle vehicle which has hitched to it a trailer carrying a watercraft as

~~defined in section 86B.005, subdivision 18; off highway motorcycle as defined in section 84.787, subdivision 7; motorcycle; motorized bicycle; snowmobile as defined in section 84.81, subdivision 3; all terrain vehicle as defined in section 84.92, subdivision 8; motorized golf cart; or equestrian equipment or supplies.~~

(b) For purposes of this subdivision:

(1) a "fifth-wheel coupling" is a coupling between a ~~camper semitrailer~~ middle vehicle and a towing full-size pickup truck in which a portion of the weight of the ~~camper semitrailer~~ towed middle vehicle is carried over or forward of the rear axle of the towing pickup.

(2) A "camper semitrailer" is ~~a trailer, other than a manufactured home as defined in section 327B.01, subdivision 13, designed for human habitation and used for vacation or recreational purposes for limited periods.~~

Sec. 2. Minnesota Statutes 2006, section 169.01, is amended by adding a subdivision to read:

Subd. 92. **Full-size pickup truck.** "Full-size pickup truck" means any truck with a manufacturer's nominal rated carrying capacity of one ton or less and commonly known as or resembling a pickup truck.

Sec. 3. Minnesota Statutes 2006, section 169.81, subdivision 2, is amended to read:

Subd. 2. **Length of single vehicle; exceptions.** (a) Statewide, no single vehicle may exceed ~~40~~ 45 feet in overall length, including load and front and rear bumpers, except:

(1) ~~mobile cranes, which may not exceed 48 feet in overall length;~~

(2) ~~buses, which may not exceed 45 feet in overall length; and~~

(3) ~~type A, B, or C motor homes as defined in section 168.011, subdivision 25, paragraph (c), which may not exceed 45 feet in overall length.~~

(b) Statewide, no semitrailer may exceed 48 feet in overall length, including bumper and load, but excluding non-cargo-carrying equipment, such as refrigeration units or air compressors, necessary for safe and efficient operation and located on the end of the semitrailer adjacent to the truck-tractor. However, statewide, a single semitrailer may exceed 48 feet, but not 53 feet, if the distance from the kingpin to the centerline of the rear axle group of the semitrailer does not exceed 43 feet.

(c) Statewide, no single trailer may have an overall length exceeding 45 feet, including the tow bar assembly but exclusive of rear bumpers that do not increase the overall length by more than six inches.

(d) For determining compliance with this subdivision, the length of the semitrailer or trailer must be determined separately from the overall length of the combination of vehicles.

(e) No semitrailer or trailer used in a three-vehicle combination may have an overall length in excess of 28-1/2 feet, exclusive of:

(1) non-cargo-carrying accessory equipment, including refrigeration units or air compressors and upper coupler plates, necessary for safe and efficient operation, located on the end of the semitrailer or trailer adjacent to the truck or truck-tractor;

- (2) the tow bar assembly; and
- (3) lower coupler equipment that is a fixed part of the rear end of the first semitrailer or trailer.

**EFFECTIVE DATE.** This section is effective August 1, 2007.

Sec. 4. Minnesota Statutes 2006, section 169.81, subdivision 3c, is amended to read:

Subd. 3c. **Recreational vehicle combination.** Notwithstanding subdivision 3, a recreational vehicle combination may be operated without a permit if:

(1) the combination does not consist of more than three vehicles, and the towing rating of the full-size pickup truck is equal to or greater than the total weight of all vehicles being towed;

(2) the combination does not exceed 70 feet in length;

(3) ~~the middle vehicle in the combination does not exceed 28 feet in length;~~

~~(4)~~ the operator of the combination is at least 18 years of age;

~~(5)~~ (4) the trailer is only carrying a watercraft, motorcycle, motorized bicycle, off-highway motorcycle, snowmobile, all-terrain vehicle, motorized golf cart, or equestrian equipment or supplies, and meets all requirements of law;

~~(6)~~ (5) the ~~trailers~~ vehicles in the combination are connected to the full-size pickup truck and each other in conformity with section 169.82; and

~~(7)~~ (6) the combination is not operated within the seven-county metropolitan area, as defined in section 473.121, subdivision 2, during the hours of 6:00 a.m. to 9:00 a.m. and 4:00 p.m. to 7:00 p.m. on Mondays through Fridays.

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

Sec. 5. Minnesota Statutes 2006, section 169.823, subdivision 1, is amended to read:

Subdivision 1. **Pneumatic-tired vehicle.** No vehicle or combination of vehicles equipped with pneumatic tires shall be operated upon the highways of this state:

(1) where the gross weight on any wheel exceeds 9,000 pounds, except that on paved county state-aid highways, paved county roads, designated local routes, and state trunk highways the gross weight on any single wheel shall not exceed 10,000 pounds unless posted;

(2) where the gross weight on any single axle exceeds 18,000 pounds, except that on paved county state-aid highways, paved county roads, designated local routes, and state trunk highways the gross weight on any single axle shall not exceed 20,000 pounds unless posted;

(3) where the maximum wheel load:

(i) on the foremost and rearmost steering axles, exceeds 600 pounds per inch of tire width or the manufacturer's recommended load, whichever is less; or

(ii) on other axles, exceeds 500 pounds per inch of tire width or the manufacturer's recommended load, whichever is less. ~~This item applies to new vehicles manufactured after August 1, 1991. For vehicles manufactured before August 2, 1991, the maximum weight per inch of tire width is 600 pounds per inch or the manufacturer's recommended load, whichever is less, until August 1, 1996. After July 31, 1996, this item applies to all vehicles regardless of date of manufacture;~~

(4) where the gross weight on any axle of a tridem exceeds 15,000 pounds, except that for vehicles to which an additional axle has been added prior to June 1, 1981, the maximum gross weight on any axle of a tridem may be up to 16,000 pounds provided the gross weight of the tridem combination does not exceed 39,900 pounds where the first and third axles of the tridem are spaced nine feet apart;

(5) where the gross weight on any group of axles exceeds the weights permitted under sections 169.822 to 169.829 with any or all of the interior axles disregarded, and with an exterior axle disregarded if the exterior axle is a variable load axle that is not carrying its intended weight, and their gross weights subtracted from the gross weight of all axles of the group under consideration.

Sec. 6. Minnesota Statutes 2006, section 169.824, subdivision 2, is amended to read:

Subd. 2. **Gross vehicle weight of all axles.** (a) Notwithstanding the provisions of section 169.85, the gross vehicle weight of all axles of a vehicle or combination of vehicles ~~shall~~ must not exceed:

(1) 80,000 pounds for any vehicle or combination of vehicles on all ~~state~~ (i) trunk highways as defined in section 169.02, subdivision 29, ~~and for all (ii) routes designated under section 169.832, subdivision 11, and (iii) paved county highways, including paved county state-aid highways;~~

(2) 88,000 pounds for any vehicle or combination of vehicles with six or more axles while exclusively engaged in hauling livestock on all state trunk highways other than interstate highways, if the vehicle has a permit under section 169.86, subdivision 5, paragraph (k); and

(3) 73,280 pounds for any vehicle or combination of vehicles with five axles or less on all routes, other than ~~state trunk highways and routes that are designated under section 169.832, subdivision 11, except that a vehicle needing reasonable access to a terminal or facilities for food, fuel, repairs, and rest, located within three miles of a ten-ton route, may not exceed 80,000 pounds. "Terminal" means any location where freight either originates, terminates, or is handled in the transportation process, or where commercial motor carriers maintain operating facilities; and routes identified in clause (1).~~

~~(4) 80,000 pounds for any vehicle or combination of vehicles with six or more axles on all routes, other than state trunk highways and routes that are designated under section 169.832, subdivision 11.~~

~~(b) The maximum weights specified in this section for five consecutive axles shall not apply to a four-axle ready mix concrete truck which was equipped with a fifth axle prior to June 1, 1981. The maximum gross weight on four or fewer consecutive axles of vehicles excepted by this clause shall not exceed any maximum weight specified for four or fewer consecutive axles in this section.~~

(b) Notwithstanding the maximum weight provisions of this section and section 169.85, and in order to promote the reduction of fuel use and emissions because of engine idling, the maximum gross vehicle weight limits and the axle weight limits for any motor vehicle subject to sections 169.80 to 169.88 and equipped with idle reduction technology must be increased by the amount of weight necessary to compensate for the weight of the idle reduction technology, not to exceed 400 pounds. At the request of an authorized representative of the Department of Transportation or Department of Public Safety the vehicle operator shall provide proof that the vehicle is equipped with this technology through documentation or demonstration.

Sec. 7. Minnesota Statutes 2006, section 169.8261, is amended to read:

**169.8261 GROSS WEIGHT LIMITATIONS; FOREST PRODUCTS.**

(a) A vehicle or combination of vehicles hauling raw or unfinished forest products, including wood chips, paper, pulp, oriented strand board, laminated strand lumber, hardboard, treated lumber, untreated lumber, or barrel staves, by the most direct route to the nearest highway that has been designated under section 169.832, subdivision 11, may be operated on any highway with gross weights permitted under sections 169.822 to 169.829 without regard to load restrictions imposed on that highway, except that the vehicles must:

(1) comply with seasonal load restrictions in effect between the dates set by the commissioner under section 169.87, subdivision 2;

(2) comply with bridge load limits posted under section 169.84;

(3) be equipped and operated with six axles and brakes on all wheels;

(4) not exceed 90,000 pounds gross weight, or ~~98,000~~ 99,000 pounds gross weight during the time when seasonal increases are authorized under section 169.826;

(5) not be operated on interstate and defense highways;

(6) obtain an annual permit from the commissioner of transportation;

(7) obey all road postings; and

(8) not exceed 20,000 pounds gross weight on any single axle.

(b) A vehicle operated under this section may exceed the legal axle weight limits listed in section 169.824 by not more than 12.5 percent; except that, the weight limits may be exceeded by not more than 22.5 percent during the time when seasonal increases are authorized under section 169.826, subdivision 1.

Sec. 8. Minnesota Statutes 2006, section 169.86, subdivision 5, is amended to read:

Subd. 5. **Fee; proceeds deposited; appropriation.** The commissioner, with respect to highways under the commissioner's jurisdiction, may charge a fee for each permit issued. All such fees for permits issued by the commissioner of transportation shall be deposited in the state treasury and credited to the trunk highway fund. Except for those annual permits for which the permit fees are specified elsewhere in this chapter, the fees shall be:

(a) \$15 for each single trip permit.

(b) \$36 for each job permit. A job permit may be issued for like loads carried on a specific route for a period not to exceed two months. "Like loads" means loads of the same product, weight, and dimension.

(c) \$60 for an annual permit to be issued for a period not to exceed 12 consecutive months. Annual permits may be issued for:

(1) motor vehicles used to alleviate a temporary crisis adversely affecting the safety or well-being of the public;

(2) motor vehicles which travel on interstate highways and carry loads authorized under subdivision 1a;



(3) motor vehicles operating with gross weights authorized under section 169.826, subdivision 1a;

(4) special pulpwood vehicles described in section 169.863;

(5) motor vehicles bearing snowplow blades not exceeding ten feet in width; ~~and~~

(6) noncommercial transportation of a boat by the owner or user of the boat; and

(7) motor vehicles carrying bales of agricultural products authorized under section 169.862.

(d) \$120 for an oversize annual permit to be issued for a period not to exceed 12 consecutive months. Annual permits may be issued for:

(1) mobile cranes;

(2) construction equipment, machinery, and supplies;

(3) manufactured homes and manufactured storage buildings;

(4) implements of husbandry when the movement is not made according to the provisions of paragraph (i);

(5) double-deck buses;

(6) commercial boat hauling; and

(7) three-vehicle combinations consisting of two empty, newly manufactured trailers for cargo, horses, or livestock, not to exceed 28-1/2 feet per trailer; provided, however, the permit allows the vehicles to be moved from a trailer manufacturer to a trailer dealer only while operating on twin-trailer routes designated under section 169.81, subdivision 3, paragraph (c).

(e) For vehicles which have axle weights exceeding the weight limitations of sections 169.822 to 169.829, an additional cost added to the fees listed above. However, this paragraph applies to any vehicle described in section 168.013, subdivision 3, paragraph (b), but only when the vehicle exceeds its gross weight allowance set forth in that paragraph, and then the additional cost is for all weight, including the allowance weight, in excess of the permitted maximum axle weight. The additional cost is equal to the product of the distance traveled times the sum of the overweight axle group cost factors shown in the following chart:

#### Overweight Axle Group Cost Factors

##### Cost Per Mile For Each Group Of:

Weight (pounds) exceeding weight limitations on axles	Two consecutive axles spaced within 8 feet or less	Three consecutive axles spaced within 9 feet or less	Four consecutive axles spaced within 14 feet or less
0-2,000	.12	.05	.04
2,001-4,000	.14	.06	.05
4,001-6,000	.18	.07	.06

6,001-8,000	.21	.09	.07
8,001-10,000	.26	.10	.08
10,001-12,000	.30	.12	.09
12,001-14,000	Not permitted	.14	.11
14,001-16,000	Not permitted	.17	.12
16,001-18,000	Not permitted	.19	.15
18,001-20,000	Not permitted	Not permitted	.16
20,001-22,000	Not permitted	Not permitted	.20

The amounts added are rounded to the nearest cent for each axle or axle group. The additional cost does not apply to paragraph (c), clauses (1) and (3).

For a vehicle found to exceed the appropriate maximum permitted weight, a cost-per-mile fee of 22 cents per ton, or fraction of a ton, over the permitted maximum weight is imposed in addition to the normal permit fee. Miles must be calculated based on the distance already traveled in the state plus the distance from the point of detection to a transportation loading site or unloading site within the state or to the point of exit from the state.

(f) As an alternative to paragraph (e), an annual permit may be issued for overweight, or oversize and overweight, construction equipment, machinery, and supplies. The fees for the permit are as follows:

Gross Weight (pounds) of Vehicle	Annual Permit Fee
90,000 or less	\$200
90,001 - 100,000	\$300
100,001 - 110,000	\$400
110,001 - 120,000	\$500
120,001 - 130,000	\$600
130,001 - 140,000	\$700
140,001 - 145,000	\$800

If the gross weight of the vehicle is more than 145,000 pounds the permit fee is determined under paragraph (e).

(g) For vehicles which exceed the width limitations set forth in section 169.80 by more than 72 inches, an additional cost equal to \$120 added to the amount in paragraph (a) when the permit is issued while seasonal load restrictions pursuant to section 169.87 are in effect.

(h) \$85 for an annual permit to be issued for a period not to exceed 12 months, for refuse-compactor vehicles that carry a gross weight of not more than: 22,000 pounds on a single rear axle; 38,000 pounds on a tandem rear axle; or, subject to section 169.828, subdivision 2, 46,000 pounds on a tridem rear axle. A permit issued for up to 46,000 pounds on a tridem rear axle must limit the gross vehicle weight to not more than 62,000 pounds.

(i) For vehicles exclusively transporting implements of husbandry, an annual permit fee of \$24. A vehicle operated under a permit authorized by this paragraph may be moved at the discretion of the permit holder without prior route approval by the commissioner if:

- (1) the total width of the transporting vehicle, including load, does not exceed 14 feet;
- (2) the vehicle is operated only between sunrise and 30 minutes after sunset, and is not operated at any time after 12:00 noon on Sundays or holidays;
- (3) the vehicle is not operated when visibility is impaired by weather, fog, or other conditions that render persons and other vehicles not clearly visible at 500 feet;
- (4) the vehicle displays at the front and rear of the load or vehicle a pair of flashing amber lights, as provided in section 169.59, subdivision 4, whenever the overall width of the vehicle exceeds 126 inches; and
- (5) the vehicle is not operated on a trunk highway with a surfaced roadway width of less than 24 feet unless such operation is authorized by the permit.

A permit under this paragraph authorizes movements of the permitted vehicle on an interstate highway, and movements of 75 miles or more on other highways.

(j) \$300 for a motor vehicle described in section 169.8261. The fee under this paragraph must be deposited as follows:

- (1) in fiscal years 2005 through 2010:
  - (i) the first \$50,000 in each fiscal year must be deposited in the trunk highway fund for costs related to administering the permit program and inspecting and posting bridges;
  - (ii) all remaining money in each fiscal year must be deposited in a bridge inspection and signing account in the special revenue fund. Money in the account is appropriated to the commissioner for:
    - (A) inspection of local bridges and identification of local bridges to be posted, including contracting with a consultant for some or all of these functions; and
    - (B) erection of weight-posting signs on local bridges; and
- (2) in fiscal year 2011 and subsequent years must be deposited in the trunk highway fund.
- (k) Beginning August 1, 2006, \$200 for an annual permit for a vehicle operating under authority of section 169.824, subdivision 2, paragraph (a), clause (2).

Sec. 9. Minnesota Statutes 2006, section 169.862, is amended to read:

**169.862 PERMIT FOR WIDE LOAD OF BALED AGRICULTURAL PRODUCT.**

Subdivision 1. **Annual permit authority; restrictions.** ~~(a)~~ The commissioner of transportation with respect to highways under the commissioner's jurisdiction, and local authorities with respect to highways under their jurisdiction, may issue an annual permit to enable a vehicle carrying ~~round~~ bales of hay, straw, or cornstalks, with a total outside width of the vehicle or the load not exceeding ~~11-1/2~~ 12 feet, and a total height of the loaded vehicle not exceeding 15 feet, to be operated on public streets and highways.

~~(b) The commissioner of transportation and local authorities may issue an annual permit to enable a vehicle, having a maximum width of 102 inches, carrying a first haul of square bales of straw, each bale having a minimum size of four feet by four feet by eight feet, with a total outside width of the load not exceeding 12 feet, to be operated on public streets and highways between August 1 and March 1 within 35 miles of the border between this state and the state of North Dakota.~~

~~(c) The commissioner of transportation and local authorities may issue an annual permit to enable a vehicle carrying square bales of hay, each with an outside dimension of not less than three feet by four feet by seven feet, with a total height of the loaded vehicle not exceeding 15 feet, to be operated on those public streets and highways designated in the permit.~~

Subd. 2. **Additional restrictions.** Permits issued under this section are governed by the applicable provisions of section 169.86 except as otherwise provided herein and, in addition, carry the following restrictions:

(a) The vehicles may not be operated between sunset and sunrise, when visibility is impaired by weather, fog, or other conditions rendering persons and vehicles not clearly visible at a distance of 500 feet, or on Sunday from noon until sunset, or on the days the following holidays are observed: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

(b) The vehicles may not be operated on interstate highways.

(c) The vehicles may not be operated on a trunk highway with a pavement less than 24 feet wide.

(d) A vehicle operated under the permit must be equipped with a retractable or removable mirror on the left side so located that it will reflect to the driver a clear view of the highway for a distance of at least 200 feet to the rear of the vehicle.

(e) A vehicle operated under the permit must display red, orange, or yellow flags, 18 inches square, as markers at the front and rear and on both sides of the load. The load must be securely bound to the transporting vehicle.

(f) Farm vehicles not for hire carrying round baled hay less than 20 miles are exempt from the requirement to obtain a permit. All other requirements of this section apply to vehicles transporting round baled hay.

~~The fee for the permit is \$24.~~

Sec. 10. Minnesota Statutes 2006, section 169.864, subdivision 1, is amended to read:

Subdivision 1. **Special three-unit vehicle permit.** The commissioner may issue a permit for a vehicle that meets the following requirements:

(1) is a combination of vehicles, including a truck-tractor and a semitrailer drawing one additional semitrailer, which may be equipped with an auxiliary dolly, and no semitrailer used in the three-vehicle combination has an overall length in excess of 28-1/2 feet;

(2) has a maximum gross vehicle weight of 108,000 pounds;

(3) complies with the axle weight limits in section 169.824 or with the federal bridge formula for axle groups not described in that section;

(4) complies with the tire weight limits in section 169.823 or the tire manufacturers' recommended load, whichever is less;

(5) is operated only in this state on Trunk Highway marked 2 between Grand Rapids and the port of Duluth; on Trunk Highway marked 169 between Grand Rapids and its junction with Trunk Highway marked 53; on Trunk Highway marked 194 between Trunk Highway marked 2 and Trunk Highway marked 53; and on Trunk Highway marked 53 between Virginia and the port of Duluth; and

(6) the seasonal weight increases authorized under section 169.826, subdivision 1, do not apply.

Sec. 11. Minnesota Statutes 2006, section 169.864, subdivision 2, is amended to read:

Subd. 2. **Special two-unit vehicle permit.** The commissioner may issue a permit for a vehicle that meets the following requirements:

(1) is a combination of vehicles consisting of a truck-tractor and a single semitrailer that may exceed 48 feet, but not 53 feet, if the distance from the kingpin to the centerline of the rear axle group of the semitrailer does not exceed 43 feet;

(2) has a maximum gross vehicle weight of 90,000 pounds or 97,000 pounds if the truck has seven axles;

(3) has a maximum gross vehicle weight of 98,000 pounds during the time when seasonal weight increases authorized under section 169.826, subdivision 1, are in effect;

(4) complies with the axle weight limits in section 169.824 or with the federal bridge formula for axle groups not described in that section;

(5) complies with the tire weight limits in section 169.823 or the tire manufacturers' recommended load, whichever is less; and

(6) is operated only on the highways specified in subdivision 1, clause (5).

Sec. 12. **[169.865] EXTENDED WEIGHT LIMIT PERMITS.**

Subdivision 1. **Six-axle vehicles.** (a) A road authority may issue an annual permit authorizing a vehicle or combination of vehicles with a total of six axles to haul raw or unprocessed agricultural products and be operated with a gross vehicle weight of up to:

(1) 90,000 pounds; and

(2) 99,000 pounds during the period set by the commissioner under section 169.826, subdivision 1.

(b) Notwithstanding subdivision 4, paragraph (a), clause (4), a vehicle or combination of vehicles operated under this subdivision and transporting only sealed intermodal containers may be operated on an interstate highway if allowed by the United States Department of Transportation.

(c) The fee for a permit issued under this subdivision is \$300.

Subd. 2. **Seven-axle vehicles.** (a) A road authority may issue an annual permit authorizing a vehicle or combination of vehicles with a total of seven axles to haul raw or unprocessed agricultural products and be operated with a gross vehicle weight of up to:

(1) 97,000 pounds; and

(2) 99,000 pounds during the period set by the commissioner under section 169.826, subdivision 1.

(b) Drivers of vehicles operating under this subdivision must comply with driver qualification requirements adopted under section 221.0314, subdivisions 2 to 5, and Code of Federal Regulations, title 49, parts 40 and 382.

(c) The fee for a permit issued under this subdivision is \$500.

Subd. 3. **Single unit vehicles.** (a) A road authority may issue an annual permit authorizing a single unit vehicle with a total of seven axles up to 45 feet in length to haul raw or unprocessed agricultural products and be operated with a gross vehicle weight of up to:

(1) 80,000 pounds; and

(2) 88,000 pounds during the period set by the commissioner under section 169.826, subdivisions 1 and 1a.

(b) The fee for a permit issued under this subdivision is \$300.

Subd. 4. **Requirements; restrictions.** (a) A vehicle or combination of vehicles operating under this section:

(1) is subject to axle weight limitations under section 169.824, subdivision 1;

(2) is subject to seasonal load restrictions under section 169.87;

(3) is subject to bridge load limits posted under section 169.84;

(4) may only be operated on trunk highways other than interstate highways, and on local roads designated under section 169.832, subdivision 11;

(5) may not be operated with loads that exceed the manufacturer's gross vehicle weight rating as affixed to the vehicle, or other certification of gross vehicle weight rating complying with Code of Federal Regulations, title 49, parts 567.4 to 567.7;

(6) must be issued a permit from each road authority having jurisdiction over a road on which the vehicle is operated, if required;

(7) must comply with the requirements of section 169.851, subdivision 4; and

(8) must have brakes on all wheels.

(b) The percentage allowances for exceeding gross weights if transporting unfinished forest products under section 168.013, subdivision 3, paragraph (b), or for the first haul of unprocessed or raw farm products or unfinished forest products under section 168.013, subdivision 3, paragraph (d), clause (3), do not apply to a vehicle or combination of vehicles operated under this section.

Subd. 5. **Deposit of revenues; appropriation.** (a) Revenue from the permits issued under this section must be deposited:

(1) in fiscal years 2007 through 2010, in the bridge inspection and signing account in the special revenue fund; and

(2) in fiscal year 2011 and subsequent years, in the trunk highway fund.

(b) The revenue in the bridge inspection and signing account under this section is annually appropriated to the commissioner for:

(1) inspection of local bridges and identification of local bridges to be posted, including contracting with a consultant for some or all of these functions; and

(2) erection of weight posting signs on local bridges.

Sec. 13. Minnesota Statutes 2006, section 169.87, subdivision 4, is amended to read:

Subd. 4. **Vehicle transporting milk.** ~~Until June 1, 2007,~~ A weight restriction imposed under subdivision 1 by the commissioner of transportation or a local road authority, or imposed by subdivision 2, does not apply to a vehicle transporting milk from the point of production to the point of first processing if, at the time the weight restriction is exceeded, the vehicle is carrying milk loaded at only one point of production. This subdivision does not authorize a vehicle described in this subdivision to exceed a weight restriction of five tons per axle by more than two tons per axle.

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

Sec. 14. Laws 2005, First Special Session chapter 1, article 4, section 39, the effective date, is amended to read:

**EFFECTIVE DATE.** ~~This section is effective the latter of August 1, 2006, or the date on which the commissioner determines that building permits have been issued for the construction of a new pulp and paper manufacturing facility at Grand Rapids 2007.~~

Sec. 15. **CONDITIONAL EFFECTIVE DATE.**

Sections 5, 6, and 10, are effective July 1, 2007, if an increase in the excise tax on gasoline under Minnesota Statutes, section 296A.07, to 30 cents per gallon is enacted during the 2007 legislative session.

## ARTICLE 6

### COMMERCIAL MOTOR VEHICLES

Section 1. **[160.2721] COMMERCIAL VEHICLE DRIVERS AT REST AREAS.**

(a) The commissioner shall allow a commercial motor vehicle operator who is subject to hours of service regulations under Code of Federal Regulations, title 49, part 395, to stop and park continuously, for a period of up to ten hours as necessary to comply with the hours of service regulations, at any Department of Transportation safety rest area or travel information center that has parking stalls designed to accommodate a commercial motor vehicle, as defined in section 169.01, subdivision 75.

(b) Any clause or provision in a lease or other agreement for the operation of a Department of Transportation safety rest area or travel information center that purports to limit the requirements under paragraph (a) is void and without effect.

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

Sec. 2. Minnesota Statutes 2006, section 168.013, subdivision 1e, is amended to read:

Subd. 1e. **Truck; tractor; combination; exceptions.** (a) On trucks and tractors except those in this chapter defined as farm trucks, on truck-tractor and semitrailer combinations except those defined as farm combinations, and on commercial zone vehicles, the tax based on total gross weight shall be graduated according to the Minnesota base rate schedule prescribed in this subdivision, but in no event less than \$120.

## Minnesota Base Rate Schedule

Scheduled taxes include five percent  
surtax provided for in subdivision 14

TOTAL GROSS WEIGHT IN POUNDS			TAX
A	0 - 1,500		\$15
B	1,501 - 3,000		20
C	3,001 - 4,500		25
D	4,501 - 6,000		35
E	6,001 - <del>9,000</del> <u>10,000</u>		45
F	<del>9,001</del> <u>10,001</u> - 12,000		70
G	12,001 - 15,000		105
H	15,001 - 18,000		145
I	18,001 - 21,000		190
J	21,001 - 26,000		270
K	26,001 - 33,000		360
L	33,001 - 39,000		475
M	39,001 - 45,000		595
N	45,001 - 51,000		715
O	51,001 - 57,000		865
P	57,001 - 63,000		1015
Q	63,001 - 69,000		1185
R	69,001 - 73,280		1325
S	73,281 - 78,000		1595
T	78,001 - <del>81,000</del> <u>80,000</u>		1760

(b) For purposes of the Minnesota base rate schedule, for vehicles with six or more axles in the "S" and "T" categories, the base rates are \$1,520 and \$1,620 respectively.

(c) For each vehicle with a gross weight in excess of ~~81,000~~ 80,000 pounds an additional tax of \$50 is imposed for each ton or fraction thereof in excess of ~~81,000~~ 80,000 pounds, subject to subdivision 12.

(d) For purposes of registration identification, for vehicles registered in the "O" category, the owner must declare at the time of registration whether the vehicle will carry a weight of 55,000 pounds or more and therefore be subject to the federal heavy vehicle use tax. For those owners who declare a weight less than 55,000 pounds, a distinctive weight sticker must be issued and the owner is restricted to a gross vehicle weight of less than 55,000 pounds.

(e) Truck-tractors except those herein defined as farm and commercial zone vehicles shall be taxed in accord with the foregoing gross weight tax schedule on the basis of the combined gross weight of the truck-tractor and any semitrailer or semitrailers which the applicant proposes to combine with the truck-tractor.

~~(e)~~ (f) Commercial zone trucks include only trucks, truck-tractors, and semitrailer combinations which are:

~~(1) used by an authorized local cartage carrier operating under a permit issued under section 221.296 and whose gross transportation revenue consists of at least 60 percent obtained solely from local cartage carriage, and are operated solely within an area composed of two contiguous cities of the first class and municipalities contiguous thereto as defined by section 221.011, subdivision 17; or~~



~~(2)~~ operated by an interstate carrier registered under section 221.60, or by an authorized ~~local cartage carrier or other~~ carrier receiving operating authority under chapter 221, and operated solely within a zone exempt from regulation pursuant to United States Code, title 49, section 13506.

~~(f)~~ (g) The license plates issued for commercial zone vehicles shall be plainly marked. A person operating a commercial zone vehicle outside the zone or area in which its operation is authorized is guilty of a misdemeanor and, in addition to the ~~misdemeanor penalty therefor~~, the registrar shall ~~have~~ revoke the registration of the vehicle as a commercial zone vehicle ~~revoked by the registrar and shall be required to reregister~~ require that the vehicle be registered at 100 percent of the full annual tax prescribed in the Minnesota base rate schedule, and no part of this tax ~~shall~~ may be refunded during the balance of the registration year.

~~(g)~~ (h) On commercial zone trucks the tax shall be based on the total gross weight of the vehicle and during each of the first eight years of vehicle life ~~shall be is~~ 75 percent of the Minnesota base rate schedule. During the ninth and succeeding years of vehicle life the tax ~~shall be is~~ 50 percent of the Minnesota base rate schedule.

~~(h)~~ (i) On trucks, truck-tractors and semitrailer combinations, except those defined as farm trucks and farm combinations, and except for those commercial zone vehicles specifically provided for in this subdivision, the tax for each of the first eight years of vehicle life ~~shall be is~~ 100 percent of the tax imposed in the Minnesota base rate schedule, and during the ninth and succeeding years of vehicle life, the tax ~~shall be is~~ 75 percent of the Minnesota base rate prescribed by this subdivision.

~~(i)~~ (j) For the purpose of registration, trailers coupled with a truck-tractor, semitrailer combination are semitrailers.

Sec. 3. Minnesota Statutes 2006, section 169.781, is amended to read:

**169.781 ANNUAL COMMERCIAL VEHICLE INSPECTION; INSPECTORS, FEE, PENALTY.**

Subdivision 1. **Definitions.** For purposes of sections 169.781 to 169.783:

(a) "Commercial motor vehicle";

(1) means a motor vehicle or combination of motor vehicles used to transport passengers or property if the motor vehicle:

(1) a commercial motor vehicle as defined in section 169.01, subdivision 75, paragraph (a); and (i) has a gross vehicle weight of more than 26,000 pounds;

~~(2) each~~ (ii) is a vehicle in a combination of more than 26,000 pounds;

(iii) is a bus; or

(iv) is of any size and is used in the transportation of hazardous materials that are required to be placarded under Code of Federal Regulations, title 49, parts 100-185; and

~~"Commercial motor vehicle"~~

(2) does not include ~~(4)~~ (i) a school bus or Head Start bus displaying a certificate under section 169.451, ~~(2) or~~ (ii) a bus operated by the Metropolitan Council or by a local transit commission created in chapter 458A, ~~or (3) a motor vehicle that is required to be placarded under Code of Federal Regulations, title 49, parts 100-185.~~

(b) "Commissioner" means the commissioner of public safety.

(c) "Owner" means a person who owns, or has control, under a lease of more than 30 days' duration, of one or more commercial motor vehicles.

~~(d) "Storage semitrailer" means a semitrailer that (1) is used exclusively to store property at a location not on a street or highway, (2) does not contain any load when moved on a street or highway, (3) is operated only during daylight hours, and (4) is marked on each side of the semitrailer "storage only" in letters at least six inches high.~~

~~(e) "Building mover vehicle" means a vehicle owned or leased by a building mover as defined in section 221.81, subdivision 1, paragraph (a), and used exclusively for moving buildings.~~

Subd. 2. **Inspection required.** (a) It is unlawful for a person to operate or permit the operation of:

(1) a commercial motor vehicle registered in Minnesota; or

(2) special mobile equipment as defined in section 168.011, subdivision 22, and which is self-propelled, if it is mounted on a commercial motor vehicle chassis,

~~unless the in violation of the requirements of paragraph (b).~~

(b) A vehicle displays described in paragraph (a):

(1) must display a valid safety inspection decal issued by an inspector certified by the commissioner, ~~or the vehicle carries (1); or~~

(2) must carry (i) proof that the vehicle complies with federal motor vehicle inspection requirements for vehicles in interstate commerce, and ~~(2) (ii)~~ a certificate of compliance with federal requirements issued by the commissioner under subdivision 9.

Subd. 3. **Inspector certification; suspension and revocation; hearing.** (a) An inspection required by this section may be performed only by:

(1) an employee of the Department of Public Safety or Transportation who has been certified by the commissioner after having received training provided by the State Patrol; or

(2) another person who has been certified by the commissioner after having received training provided by the State Patrol or other training approved by the commissioner.

(b) A person who is not an employee of the Department of Public Safety or Transportation may be certified by the commissioner if the person is:

(1) an owner, or employee of the owner, of one or more commercial motor vehicles that are power units;

(2) a dealer licensed under section 168.27 and engaged in the business of buying and selling commercial motor vehicles, or an employee of the dealer; ~~or~~

(3) engaged in the business of repairing and servicing commercial motor vehicles; or

(4) employed by a governmental agency that owns commercial vehicles.

(c) Certification of persons described in paragraph (b), clauses (1) to ~~(3)~~ (4), is effective for two years from the date of certification. The commissioner may require biennial retraining of persons holding a certificate under paragraph (b) as a condition of renewal of the certificate. The commissioner may charge a fee of not more than \$10 for each certificate issued and renewed. A certified person described in paragraph (b), clauses (1) to ~~(3)~~ (4), may charge a reasonable fee for each inspection of a vehicle not owned by the person or the person's employer.

(d) Except as otherwise provided in subdivision 5, the standards adopted by the commissioner for commercial motor vehicle inspections under sections 169.781 to 169.783 ~~shall~~ must be the standards prescribed in Code of Federal Regulations, title 49, section 396.17, and in chapter III, subchapter B, appendix G.

(e) The commissioner may classify types of vehicles for inspection purposes and may issue separate classes of inspector certificates for each class. ~~The commissioner shall issue separate categories of inspector certificates based on the following classifications:~~

~~(1) a class of certificate that authorizes the certificate holder to inspect commercial motor vehicles without regard to ownership or lease; and~~

~~(2) a class of certificate that authorizes the certificate holder to inspect only commercial motor vehicles the certificate holder owns or leases.~~

~~The commissioner shall issue a certificate described in clause (1) only to a person described in paragraph (b), clause (2) or (3).~~

(f) The commissioner, after notice and an opportunity for a hearing, may suspend a certificate issued under paragraph (b) for failure to meet annual certification requirements prescribed by the commissioner or failure to inspect commercial motor vehicles in accordance with inspection procedures established by the State Patrol. The commissioner shall revoke a certificate issued under paragraph (b) if the commissioner determines after notice and an opportunity for a hearing that the certified person issued an inspection decal for a commercial motor vehicle when the person knew or reasonably should have known that the vehicle was in such a state of repair that it would have been declared out of service if inspected by an employee of the State Patrol. Suspension and revocation of certificates under this subdivision are not subject to sections 14.57 to 14.69.

Subd. 4. **Inspection report.** (a) A person performing an inspection under this section shall issue an inspection report to the owner of the commercial motor vehicle inspected. The report must include:

(1) the full name of the person performing the inspection, and the person's inspector certification number;

(2) the name of the owner of the vehicle and, if applicable, the United States Department of Transportation carrier number issued to the owner of the vehicle, or to the operator of the vehicle if other than the owner;

(3) the vehicle identification number and, if applicable, the license plate number of the vehicle;

(4) the date and location of the inspection;

(5) the vehicle components inspected and a description of the findings of the inspection, including identification of the components not in compliance with federal motor carrier safety regulations; and

(6) the inspector's certification that the inspection was complete, accurate, and in compliance with the requirements of this section.

(b) The owner must retain a copy of the inspection report for at least 14 months at a location in the state where the vehicle is domiciled or maintained. The inspector must maintain a copy of the inspection report for a period of 14 months following the inspection in a location in the state where the inspector conducts business. During this period the report must be available for inspection by an authorized federal, state, or local official.

(c) The commissioner shall prescribe the form of the inspection report and revise it as necessary to comply with state and federal law and regulations. The adoption of the report form is not subject to the Administrative Procedure Act.

Subd. 5. **Inspection decal.** ~~(a)~~ A person inspecting a commercial motor vehicle shall issue an inspection decal for the vehicle if each inspected component of the vehicle complies with federal motor carrier safety regulations. The decal must state that in the month specified on the decal the vehicle was inspected and each inspected component complied with federal motor carrier safety regulations. The decal is valid for 12 months after the month specified on the decal. The commissioners of public safety and transportation shall make decals available, at a fee of not more than \$2 for each decal, to persons certified to perform inspections under subdivision 3, paragraph (b). Decals are issued to inspectors by serial number and are not transferable unless approved by the commissioner.

~~(b) Minnesota inspection decals may be affixed only to:~~

~~(1) commercial motor vehicles bearing Minnesota-based license plates; or~~

~~(2) special mobile equipment, within the meaning of subdivision 2, clause (2).~~

~~(c) Notwithstanding paragraph (a), a person inspecting (1) a vehicle of less than 57,000 pounds gross vehicle weight and registered as a farm truck, (2) a storage semitrailer, or (3) a building mover vehicle must issue an inspection decal to the vehicle unless the vehicle has one or more defects that would result in the vehicle being declared out of service under the North American Uniform Driver, Vehicle, and Hazardous Materials Out of Service Criteria issued by the Federal Highway Administration and the Commercial Vehicle Safety Alliance. A decal issued to a vehicle described in clause (1), (2), or (3) is valid for two years from the date of issuance. A decal issued to such a vehicle must clearly indicate that it is valid for two years from the date of issuance.~~

~~(d) Notwithstanding paragraph (a), a commercial motor vehicle that (1) is registered as a farm truck, (2) is not operated more than 75 miles from the owner's home post office, and (3) was manufactured before 1979 that has a dual transmission system, is not required to comply with a requirement in an inspection standard that requires that the service brake system and parking brake system be separate systems in the motor vehicle.~~

Subd. 6. **Record review; random inspection; audit.** Employees of the State Patrol and motor transportation representatives of the Department of Transportation may review records required to be kept under subdivision 4, paragraph (b), and conduct random vehicle inspections and audits at the facility of an owner of a commercial motor vehicle.

Subd. 7. **Disposition of revenues.** The commissioner shall pay all revenues received under this section to the commissioner of finance for deposit in the trunk highway fund.

Subd. 8. **Violation; misdemeanor.** A violation of this section is a misdemeanor.

Subd. 9. **Proof of federal inspection.** An owner of a commercial motor vehicle that is subject to and in compliance with federal motor vehicle inspection requirements for vehicles in interstate commerce may apply to the commissioner for a certificate of compliance with federal requirements. On payment of a fee equal to the fee for an inspection decal under subdivision 5, ~~paragraph (a),~~ the commissioner shall issue the certificate to the applicant. This subdivision only applies to Minnesota-licensed vehicles that are not housed or maintained in Minnesota.

Subd. 10. **Exemption.** This section does not apply to a vehicle operated by a motor carrier of passengers, as defined in section 221.011, subdivision 48, if the vehicle has been inspected under section 221.0252, subdivision 3, paragraph (a), clause (2), within the previous 12 months.

Sec. 4. Minnesota Statutes 2006, section 169.782, subdivision 1, is amended to read:

Subdivision 1. **Driver; daily inspection report.** (a) The driver of a commercial motor vehicle shall report in writing at the completion of each day's work on each commercial motor vehicle the driver has operated. A person who owns one or more commercial motor vehicles and who employs drivers for those commercial motor vehicles must require each driver to submit a written report as required in by this section. The report must cover the following parts and accessories: service brakes, including trailer and semitrailer brake connections; parking (hand) brake; steering mechanism; lighting devices and reflectors; tires; horn; windshield wiper or wipers; rear vision mirror or mirrors; coupling devices; wheels and rims; and emergency equipment.

(b) The report must identify the vehicle and list any defect or deficiency discovered by or reported to the driver that would affect the safe operation of the vehicle or result in its mechanical breakdown. If no defect or deficiency is discovered by or reported to the driver, the report must so indicate. The driver must sign the report after completing it. In the case of a commercial motor vehicle operated by two drivers, the signature of one of the drivers satisfies the requirements of this subdivision if both drivers agree concerning the defects or deficiencies. If a driver operates more than one commercial motor vehicle during a day's work, a report must be prepared for each vehicle operated.

(c) Before operating or allowing the operation of a commercial motor vehicle on which a report has been prepared under this subdivision, the owner of the vehicle or the owner's agent must repair defects or deficiencies listed on the report that would ~~be sufficient under inspection procedures established by the State Patrol to require the vehicle to be declared out of service~~ likely affect the safe operation of the vehicle. Before allowing the commercial motor vehicle to be operated again, the owner or the owner's agent must certify, on the report listing the defect or deficiency, that the defect or deficiency has been corrected or that correction is unnecessary. A motor carrier must keep the original vehicle inspection report for at least three months after the date of inspection. The report must be available for inspection by an authorized federal, state, or local official at any time during this period.

(d) A copy of the vehicle inspection report, including a certification of corrections resulting from the report, must be carried in the commercial motor vehicle, or in the power unit of a commercial motor vehicle combination, at all times when the vehicle or power unit is operated until the next inspection report is completed under this subdivision. The copy must be made available on demand to: (1) a peace officer; (2) a person authorized under section 221.221; and (3) a person described in section 299D.06.

Sec. 5. Minnesota Statutes 2006, section 169.783, subdivision 1, is amended to read:

Subdivision 1. **Postcrash inspection.** (a) A peace officer responding to an accident involving a commercial motor vehicle must immediately notify the State Patrol if the accident results in ~~death, personal injury, or property damage to an apparent extent of more than \$4,400;~~

(1) a fatality;

(2) bodily injury to a person who, as a result of the injury, immediately receives medical treatment away from the scene of the accident; or

(3) one or more motor vehicles incurring disabling damage as a result of the accident, requiring the motor vehicles to be transported away from the scene by tow truck or other motor vehicle.

(b) It is a misdemeanor for a person to drive or cause to be driven a commercial motor vehicle after such an accident unless the vehicle:

(1) has been inspected by a state trooper or other person authorized to conduct inspections under section 169.781, subdivision 3, paragraph (a), who is an employee of the Department of Public Safety or Transportation, and the person inspecting the vehicle has determined that the vehicle may safely be operated; or

(2) a waiver has been granted under subdivision 2.

Sec. 6. Minnesota Statutes 2006, section 221.031, subdivision 6, is amended to read:

Subd. 6. **Vehicle identification rule.** (a) The following carriers shall display the carrier's name ~~and address~~ on the power unit of each vehicle:

(1) motor carriers, regardless of the weight of the vehicle, except that this requirement does not apply to a limousine as defined in section 168.011, subdivision 35, that is equipped with "LM" license plates;

(2) interstate and intrastate private carriers operating vehicles with a gross vehicle weight of more than 10,000 pounds; and

(3) vehicles providing transportation described in section 221.025 with a gross vehicle weight of more than 10,000 pounds except those providing transportation described in section 221.025, clauses (1), (3), and (4).

Vehicles described in clauses (2) and (3) that are operated by farmers or farm employees and have four or fewer axles are not required to comply with the vehicle identification rule of the commissioner.

(b) Vehicles subject to this subdivision must show the name or "doing business as" name of the carrier operating the vehicle ~~and the community and abbreviation of the state in which the carrier maintains its principal office or in which the vehicle is customarily based~~. If the carrier operates a leased vehicle, it may show its name and the name of the lessor on the vehicle, if the lease relationship is clearly shown. If the name of a person other than the operating carrier appears on the vehicle, the words "operated by" must immediately precede the name of the carrier.

(c) The name ~~and address~~ must be in letters that contrast sharply in color with the background, be readily legible during daylight hours from a distance of 50 feet while the vehicle is stationary, and be maintained in a manner that retains the legibility of the markings. The name ~~and address~~ may be shown by use of a removable device if that device meets the identification and legibility requirements of this subdivision.

Sec. 7. Minnesota Statutes 2006, section 221.0314, subdivision 9, is amended to read:

Subd. 9. **Hours of service of driver.** Code of Federal Regulations, title 49, part 395, is incorporated by reference, except that paragraphs (a), (c), (d), (f), (h), (i), (k), ~~(l)~~, (m), and (n) of section 395.1 and section 395.13 of that part are not incorporated. In addition, cross-references to sections or paragraphs not incorporated in this subdivision are not incorporated by reference. The requirements of Code of Federal Regulations, title 49, part 395, do not apply to drivers of lightweight vehicles.

Sec. 8. Minnesota Statutes 2006, section 221.0314, is amended by adding a subdivision to read:

Subd. 12. **Hazardous materials safety permits.** A person who transports the hazardous materials designated in Code of Federal Regulations, title 49, section 385.403, shall comply with this section and with the provisions of Code of Federal Regulations, title 49, part 385, subpart E, which is incorporated by reference.

Sec. 9. Minnesota Statutes 2006, section 221.033, subdivision 2d, is amended to read:

Subd. 2d. **Age of driver under federal materials-of-trade regulation.** A driver of a self-propelled or towed motor vehicle transporting no hazardous material other than materials of trade, as defined in Code of Federal Regulations, title 49, section 171.8, when engaged in intrastate transportation, must be at least 18 years of age. This subdivision does not apply unless the transportation conforms to the requirements of Code of Federal Regulations, title 49, section 173.6.

Sec. 10. Minnesota Statutes 2006, section 221.037, subdivision 1, is amended to read:

Subdivision 1. **Required to provide information.** A person who generates, stores, treats, transports, disposes of, or otherwise handles or has handled hazardous materials, hazardous substances, or hazardous waste shall (1) give to transportation representatives and hazardous material specialists of the department information relating to the materials, substances, or waste, or (2) permit them access to and copying of records and safety permits relating to any or all of the materials, substances, or waste, ~~or both~~.

Sec. 11. Minnesota Statutes 2006, section 221.141, subdivision 1, is amended to read:

Subdivision 1. **Financial responsibility of carriers.** (a) No motor carrier and no interstate carrier shall operate a vehicle until it has obtained and has in effect the minimum amount of financial responsibility required by this section. Policies of insurance, surety bonds, other types of security, and endorsements must be continuously in effect and must remain in effect until canceled. Before providing transportation, the motor carrier or interstate carrier shall secure and cause to be filed with the commissioner and maintain in full effect, a certificate of insurance in a form required by the commissioner, evidencing public liability insurance in the amount prescribed. The insurance must cover injuries and damage to persons or property resulting from the operation or use of motor vehicles, regardless of whether each vehicle is specifically described in the policy. This insurance does not apply to injuries or death to the employees of the motor carrier or to property being transported by the carrier.

(b) Notwithstanding any other provision of this chapter, the insurance required of a motor carrier of passengers must be at least that amount required of interstate carriers under Code of Federal Regulations, title 49, section 387.33, as amended.

(c) This section does not apply to a charitable organization exempt from taxation under section 501(c)(3) of the Internal Revenue Code when the transportation furthers the charitable organization's charitable mission. The charitable organization must comply with the insurance requirements of section 65B.48.

Sec. 12. Minnesota Statutes 2006, section 221.231, is amended to read:

#### **221.231 RECIPROCAL AGREEMENT.**

The commissioner may enter into reciprocal agreements with the regulatory bodies of other states and the provinces of the Dominion of Canada, ~~whereby the payment of the fees provided in section 221.60 may be waived in whole or in part for~~ regarding motor carriers having an established place of business in that state or province; provided that reciprocal privileges are extended under the agreement to motor carriers of this state.

Sec. 13. Minnesota Statutes 2006, section 221.60, subdivision 1, is amended to read:

Subdivision 1. **Procedure.** A motor carrier may transport persons or property for hire in interstate commerce in Minnesota only if it first:

~~(4) complies with section 221.141;~~

~~(2) either registers with the commissioner the federal operating authority that it intends to exercise, or registers and describes the transportation it performs under an exemption contained in United States Code, title 49; and~~

~~(3) purchases an interstate identification stamp or an interstate registration trip permit for each vehicle to be used in interstate transportation in Minnesota the Unified Carrier Registration Agreement authorized by United States Code, title 49, section 14504a, enacted pursuant to the Unified Carrier Registration Act of 2005, and the federal regulations adopted thereunder.~~

Sec. 14. Minnesota Statutes 2006, section 221.60, is amended by adding a subdivision to read:

Subd. 7. **Commissioner's authority.** The commissioner of transportation shall take all necessary actions to enter into the Unified Carrier Registration Agreement when it becomes effective. The commissioner shall implement and administer United States Code, title 49, section 14504a, and the regulations adopted thereunder.

Sec. 15. **REPEALER.**

Minnesota Statutes 2006, sections 221.60, subdivisions 2, 3, 3a, 4, 5, and 6; 221.601; and 221.602, are repealed.

## ARTICLE 7

### HOUSEHOLD GOODS MOVERS

Section 1. Minnesota Statutes 2006, section 221.011, is amended by adding a subdivision to read:

Subd. 50. **Household goods mover.** (a) "Household goods mover" means a motor carrier who engages in for-hire transportation service for moving household goods and offers the services of:

(1) binding and nonbinding estimates;

(2) inventorying;

(3) protective packing and unpacking of individual items at a personal residence; or

(4) loading and unloading at a personal residence.

(b) Household goods mover does not include a carrier transporting property from a factory or store to a personal residence.

Sec. 2. **[221.0253] HOUSEHOLD GOODS MOVERS; REGISTRATION.**

Subdivision 1. **Definition.** For purposes of this section, "registrant" means a person applying for a certificate of registration as a household goods mover under this section.

Subd. 2. **Registration required.** No person may engage in the for-hire transportation of household goods in Minnesota unless the person has been issued a certificate of registration by the commissioner.

Subd. 3. **Registration statement.** A registrant shall file a complete and accurate registration statement with the commissioner. A registration statement must be on a form provided by the commissioner and include:

(1) the registrant's name, including an assumed or fictitious name used by the registrant in doing business;



(2) the registrant's mailing address and business telephone number;

(3) the registrant's federal employer identification number, Minnesota business identification number, and the identification number, if any, assigned to the registrant by the United States Department of Transportation;

(4) the name, title, and telephone number of the individual who is principally responsible for the operation of the registrant's transportation business;

(5) the principal location from which the registrant conducts its transportation business and where the records required by this chapter will be kept;

(6) if different from clause (5), the location in Minnesota where the records required by this chapter will be available for inspection and copying by the commissioner;

(7) whether the registrant's business is a corporation, partnership, limited liability partnership, limited liability company, sole proprietorship, or other legal form;

(8) if the registrant is a foreign corporation authorized to transact business in Minnesota, the state of incorporation and the name and address of its registered agent; and

(9) a record of each initial background check as required under subdivision 4.

Subd. 4. **Background check; denial of registration.** (a) The registrant shall conduct, or cause to be conducted, an initial background check of any person employed by the registrant, or with whom the registrant contracts, whose duties include operating a vehicle used to transport household goods.

(b) Sections 299C.67; 299C.68, subdivisions 2 to 5; and 299C.71 apply to background checks conducted under this subdivision. For purposes of this subdivision, when used in sections 299C.67, 299C.68, and 299C.71, the term "owner" refers to the registrant and the term "manager" refers to a driver.

(c) The commissioner may deny registration to any registrant who employs a driver that the background check response shows has been convicted of a background check crime, as defined in section 299C.67, subdivision 2, paragraph (a) or (b).

(d) The registrant shall conduct, or cause to be conducted, a subsequent background check every three years. The registrant shall keep a record, identified by the employee's name, of a background check conducted under this section. A record must be made available to the commissioner upon request.

(e) This subdivision does not apply to a driver who holds a valid driver's license with a school bus endorsement.

Subd. 5. **Signature required.** A corporate officer, general partner, or sole proprietor must sign the registration statement and the vehicle and insurance statement.

Subd. 6. **Fee.** An initial fee of \$200 must be paid at the time of filing the registration statement. It must be paid into the state treasury and credited to the trunk highway fund.

Subd. 7. **Certificate of registration; issuance.** (a) The commissioner shall issue a certificate of registration to a registrant who does not have an unsatisfactory safety rating and has met the requirements of this section.

(b) A certificate of registration must be numbered and bear an effective date.

(c) A certificate of registration must be kept at the registrant's principal place of business.

Subd. 8. **Compliance with other laws.** A household goods mover shall comply with sections 169.781 and 221.141.

Subd. 9. **Duration.** A certificate of registration is valid for for-hire transportation of household goods throughout Minnesota, is not assignable or transferable, and is valid until it is suspended, revoked, or canceled.

Subd. 10. **Obligation to keep information current.** A registrant shall notify the commissioner in writing of any change in the information described in subdivision 3.

Subd. 11. **Suspension and cancellation of registration.** The commissioner shall suspend or cancel, following the procedures for suspension or cancellation in section 221.185, the registration of a household goods mover who fails to file with the commissioner or maintain the insurance or bond required under section 221.141. A person may not engage in the for-hire transportation of household goods in Minnesota while the person's registration is under suspension or cancellation under this subdivision.

**Sec. 3. [221.027] HOUSEHOLD GOODS MOVERS; CONSUMER PROTECTION.**

Subdivision 1. **Arbitration, price estimates, relinquishment of possession to consumers.** Code of Federal Regulations, title 49, sections 375.209; 375.211; 375.401 through 375.409; 375.503; 375.505; 376.603; and 375.703 are incorporated by reference and apply to household goods movers.

Subd. 2. **Investigation.** The attorney general shall investigate violations of laws by household goods movers, including but not limited to violations relating to operation without registration, misrepresentations, deceptive trade practices, theft, the provisions of subdivision 1, and other crimes.

Subd. 3. **Contact information.** A household goods mover shall include contact information for the Department of Transportation and the attorney general on all bills of lading and estimates required under subdivision 1.

**Sec. 4. [221.028] HOUSEHOLD GOODS MOVERS; EXPIRATION AND CONVERSION OF PERMITS.**

Subdivision 1. **Expiration of permits.** Any permit issued by the commissioner before August 1, 2007, that authorizes for-hire transportation of household goods in Minnesota, is only valid through February 29, 2008.

Subd. 2. **Conversion to registration.** A holder of a permit issued by the commissioner before August 1, 2007, that authorizes for-hire transportation of household goods in Minnesota, who wishes to continue as a household goods mover, shall meet the requirements of section 221.0253, before March 1, 2008. The commissioner shall not require a criminal background check under section 221.0253, subdivision 4, and shall not charge a registration fee under section 221.0253, subdivision 6.

**ARTICLE 8**

**REPEAL OF OBSOLETE PERMITS AND CONFORMING CHANGES**

Section 1. Minnesota Statutes 2006, section 174.64, subdivision 2, is amended to read:

**Subd. 2. Specific functions and powers.** (a) To the extent allowed under federal law or regulation, the commissioner shall further hold hearings and issue orders in cases brought on the commissioner's own motion or by a third party in the following areas:

(1) adequacy of services that carriers are providing to the public, including the continuation, termination, or modification of services and facilities;

(2) reasonableness of tariffs of rates, fares, and charges, or a part or classification of a tariff; and

(3) issuing permits.

(b) For purposes of paragraph (a), clause (2), the commissioner may authorize common carriers by rail ~~and motor carriers for hire~~ to file tariffs of rates, fares, and charges individually or by group. Carriers participating in group ratemaking have the free and unrestrained right to take independent action either before or after a determination arrived at through that procedure.

Sec. 2. Minnesota Statutes 2006, section 174.64, subdivision 4, is amended to read:

Subd. 4. **Petition, notice, and hearing.** (a) With respect to those matters within the commissioner's jurisdiction, the commissioner shall receive, hear, and determine all petitions filed with the commissioner in accordance with the procedures established by law and may hold hearings and make determinations upon the commissioner's own motion to the same extent, and in every instance, in which the commissioner may do so upon petition.

~~(b) Upon receiving a petition filed pursuant to section 221.121, subdivision 1, or 221.151, the commissioner shall give notice of the filing of the petition to representatives of associations or other interested groups or persons who have registered their names with the commissioner for that purpose and to whomever the commissioner deems to be interested in the petition. The commissioner may grant or deny the request of the petition 30 days after notice of the filing has been fully given.~~

~~(c)~~ If the commissioner receives a written objection and notice of intent to appear at a hearing to object to the petition from any person within 20 days of the notice having been fully given, the request of the petition must be granted or denied only after a contested case hearing has been conducted on the petition, unless the objection is withdrawn before the hearing. The commissioner may elect to hold a contested case hearing if no objections to the petition are received. If a timely objection is not received, or if received and withdrawn, and the request of the petition is denied without hearing, the petitioner may request within 30 days of receiving the notice of denial, and must be granted, a contested case hearing on the petition.

Sec. 3. Minnesota Statutes 2006, section 174.66, is amended to read:

#### **174.66 CONTINUATION OF CARRIER RULES.**

(a) Orders and directives in force, issued, or promulgated under authority of chapters 174A, 216A, 218, 219, 221, and 222 remain and continue in force and effect until repealed, modified, or superseded by duly authorized orders or directives of the commissioner of transportation. To the extent allowed under federal law or regulation, rules adopted under authority of the following sections are transferred to the commissioner of transportation and continue in force and effect until repealed, modified, or superseded by duly authorized rules of the commissioner:

(1) section 218.041 except rules related to the form and manner of filing railroad rates, railroad accounting rules, and safety rules;

(2) section 219.40; and

(3) rules relating to rates or tariffs, or the granting, limiting, or modifying of permits or certificates of convenience and necessity under section 221.031, subdivision 1; and

~~(4) rules relating to the sale, assignment, pledge, or other transfer of a stock interest in a corporation holding authority to operate as a permit carrier as prescribed in section 221.151, subdivision 1;~~

~~(5) rules relating to rates, charges, and practices under section 221.161, subdivision 4; and~~

~~(6) rules relating to rates, tariffs, or the granting, limiting, or modifying of permits under sections 221.121 and 221.151.~~

(b) The commissioner shall review the transferred rules, orders, and directives and, when appropriate, develop and adopt new rules, orders, or directives.

Sec. 4. Minnesota Statutes 2006, section 221.011, subdivision 8, is amended to read:

Subd. 8. **Permit.** "Permit" means the license, or franchise, which may be issued to motor carriers other than regular route common carriers of passengers, ~~class I common carriers, and petroleum carriers, and household goods movers~~ under the provisions of this chapter, authorizing the use of the highways of Minnesota for transportation for hire.

Sec. 5. Minnesota Statutes 2006, section 221.025, is amended to read:

#### **221.025 EXEMPTIONS.**

The provisions of this chapter requiring a certificate ~~or permit~~ to operate as a motor carrier do not apply to the intrastate transportation described below:

(1) the transportation of students to or from school or school activities in a school bus inspected and certified under section 169.451 and the transportation of children or parents to or from a Head Start facility or Head Start activity in a Head Start bus inspected and certified under section 169.451;

(2) the transportation of solid waste, as defined in section 116.06, subdivision 22, including recyclable materials and waste tires, except that the term "hazardous waste" has the meaning given it in section 221.011, subdivision 31;

(3) a commuter van as defined in section 221.011, subdivision 27;

(4) authorized emergency vehicles as defined in section 169.01, subdivision 5, including ambulances; and tow trucks equipped with proper and legal warning devices when picking up and transporting (i) disabled or wrecked motor vehicles or (ii) vehicles towed or transported under a towing order issued by a public employee authorized to issue a towing order;

(5) the transportation of grain samples under conditions prescribed by the commissioner;

(6) the delivery of agricultural lime;

(7) the transportation of dirt and sod within an area having a 50-mile radius from the home post office of the person performing the transportation;

(8) the transportation of sand, gravel, bituminous asphalt mix, concrete ready mix, concrete blocks or tile and the mortar mix to be used with the concrete blocks or tile, or crushed rock to or from the point of loading or a place of gathering within an area having a 50-mile radius from that person's home post office or a 50-mile radius from the site of construction or maintenance of public roads and streets;

(9) the transportation of pulpwood, cordwood, mining timber, poles, posts, decorator evergreens, wood chips, sawdust, shavings, and bark from the place where the products are produced to the point where they are to be used or shipped;

(10) the transportation of fresh vegetables from farms to canneries or viner stations, from viner stations to canneries, or from canneries to canneries during the harvesting, canning, or packing season, or transporting sugar beets, wild rice, or rutabagas from the field of production to the first place of delivery or unloading, including a processing plant, warehouse, or railroad siding;

(11) the transportation of property or freight, other than household goods and petroleum products in bulk, entirely within the corporate limits of a city or between contiguous cities ~~except as provided in section 221.296;~~

(12) the transportation of unprocessed dairy products in bulk within an area having a 100-mile radius from the home post office of the person providing the transportation;

(13) the transportation of agricultural, horticultural, dairy, livestock, or other farm products within an area having a 100-mile radius from the person's home post office and the carrier may transport other commodities within the 100-mile radius if the destination of each haul is a farm;

(14) the transportation of newspapers, as defined in section 331A.01, subdivision 5, telephone books, handbills, circulars, or pamphlets in a vehicle with a gross vehicle weight of 10,000 pounds or less; and

(15) transportation of potatoes from the field of production, or a storage site owned or otherwise controlled by the producer, to the first place of processing.

The exemptions provided in this section apply to a person only while the person is exclusively engaged in exempt transportation.

Sec. 6. Minnesota Statutes 2006, section 221.026, is amended to read:

#### **221.026 MOTOR CARRIER OF PROPERTY; EXEMPTIONS.**

Subdivision 1. **Registration.** No person may engage in the for-hire transportation of property, ~~other than household goods,~~ in Minnesota unless the person has filed a registration statement with the commissioner on a form the commissioner prescribes.

Subd. 2. **Exemptions from requirements.** Notwithstanding any other law, a motor carrier of property is exempt from sections 221.021; 221.072; ~~221.121; 221.122; 221.123;~~ 221.131; 221.132; ~~221.151; 221.161;~~ 221.172, subdivisions 3 to 8; and 221.185, except as provided in subdivision 4; ~~and 221.296.~~ The exemptions in this subdivision do not apply to a motor carrier of property while transporting household goods.

Subd. 3. **Safety regulations.** A motor carrier of property is subject to those federal regulations incorporated by reference in section 221.0314, unless exempted from those regulations by section 221.031.

Subd. 4. **Suspension and cancellation of registration.** The commissioner shall suspend or cancel, following the procedures for suspension or cancellation in section 221.185, the registration of a motor carrier of property who fails to file with the commissioner or maintain the insurance or bond required under section 221.141. A person may not engage in the for-hire transportation of property, ~~other than household goods,~~ in Minnesota while the person's registration is under suspension or cancellation under this subdivision.

Subd. 5. **Local regulation.** Section 221.091 applies to registration statements under this section to the same extent that it applies to certificates and permits issued by the board.

Sec. 7. Minnesota Statutes 2006, section 221.031, subdivision 1, is amended to read:

Subdivision 1. **Powers, duties, reports, limitations.** (a) This subdivision applies to motor carriers engaged in intrastate commerce.

(b) The commissioner shall prescribe rules for the operation of motor carriers, including their facilities; accounts; leasing of vehicles and drivers; service; safe operation of vehicles; equipment, parts, and accessories; hours of service of drivers; driver qualifications; accident reporting; identification of vehicles; installation of safety devices; inspection, repair, and maintenance; and proper automatic speed regulators if, in the opinion of the commissioner, there is a need for the rules.

(c) The commissioner shall direct the repair and reconstruction or replacement of an inadequate or unsafe motor carrier vehicle or facility. The commissioner may require the construction and maintenance or furnishing of suitable and proper freight terminals, passenger depots, waiting rooms, and accommodations or shelters in a city in this state or at a point on the highway traversed which the commissioner, after investigation by the department, may deem just and proper for the protection of passengers or property.

~~(d) The commissioner shall require holders of household goods mover permits to file annual and other reports including annual accounts of motor carriers, schedules of rates and charges, or other data by motor carriers, regulate motor carriers in matters affecting the relationship between them and the traveling and shipping public, and prescribe other rules as may be necessary to carry out the provisions of this chapter.~~

~~(e) A motor carrier subject to paragraph (d) but having gross revenues from for hire transportation in a calendar year of less than \$200,000 may, at the discretion of the commissioner, be exempted from the filing of an annual report, if instead the motor carrier files an abbreviated annual report, in a form as may be prescribed by the commissioner, attesting that the motor carrier's gross revenues did not exceed \$200,000 in the previous calendar year. Motor carrier gross revenues from for hire transportation, for the purposes of this subdivision only, do not include gross revenues received from the operation of school buses as defined in section 169.01, subdivision 6.~~

~~(f) The commissioner shall enforce sections 169.781 to 169.783.~~

Sec. 8. Minnesota Statutes 2006, section 221.036, subdivision 1, is amended to read:

Subdivision 1. **Order.** The commissioner may issue an order requiring violations to be corrected and administratively assessing monetary penalties for a violation of (1) section 221.021; (2) section 221.033, subdivision 2b; (3) ~~section 221.151; (4) section 221.171; (5) section 221.141; or (6) (4)~~ rules of the commissioner relating to the transportation of hazardous waste, motor carrier operations, or insurance, or tariffs and accounting. An order must be issued as provided in this section.

Sec. 9. Minnesota Statutes 2006, section 221.036, subdivision 3, is amended to read:

Subd. 3. **Amount of penalty; considerations.** (a) The commissioner may issue an order assessing a penalty of up to \$5,000 for all violations ~~of section 221.021; 221.141; 221.151; or 221.171, or rules of the commissioner relating to motor carrier operations, insurance, or tariffs and accounting, identified under subdivision 1, except for rules of the commissioner relating to the transportation of hazardous waste or as otherwise provided under paragraph (b), identified during a single inspection, audit, or investigation.~~

(b) The commissioner may issue an order assessing a penalty up to a maximum of \$10,000 for all violations of section 221.033, subdivision 2b, identified during a single inspection or audit.

(c) In determining the amount of a penalty, the commissioner shall consider:

(1) the willfulness of the violation;

(2) the gravity of the violation, including damage to humans, animals, air, water, land, or other natural resources of the state;

(3) the history of past violations, including the similarity of the most recent violation and the violation to be penalized, the time elapsed since the last violation, the number of previous violations, and the response of the person to the most recent violation identified;

(4) the economic benefit gained by the person by allowing or committing the violation; and

(5) other factors as justice may require, if the commissioner specifically identifies the additional factors in the commissioner's order.

(d) The commissioner shall assess a penalty of not less than \$1,000 against a driver who is convicted of a violation of an out-of-service order. The commissioner shall assess a penalty of not more than \$10,000 against an employer who knowingly allows or requires an employee to operate a commercial motor vehicle in violation of an out-of-service order.

Sec. 10. Minnesota Statutes 2006, section 221.131, is amended to read:

**221.131 CARRIER ANNUAL VEHICLE REGISTRATION; FEES, IDENTIFICATION CARD FOR MOTOR CARRIERS OF PASSENGERS.**

Subdivision 1. **Permit Registration renewal.** ~~Permits~~ Certificates of registration issued under section 221.121 to a motor carrier of passengers under section 221.0252 are effective for a 12-month period. A permit certificate of registration holder must renew the permit certificate annually by registration of the vehicles operated under authority of that permit as required by subdivision 2 certificate. A permit certificate holder has one annual renewal date encompassing all of the permits certificates held by the holder.

Subd. 2. **Annual vehicle registration; fee.** (a) ~~This subdivision applies only to holders of household goods mover permits and motor carriers of passengers.~~

~~(b)~~ A permit holder or motor carrier of passengers shall pay an annual registration fee of \$75 on each vehicle, including pickup and delivery vehicles, operated by the carrier under authority of the permit or certificate of registration during the 12-month period or fraction of the 12-month period. Trailers and semitrailers used by a permit certificate holder in combination with power units may not be counted as vehicles in the computation of fees under this section if the permit holder pays the fees for power units.

~~(c)~~ (b) The commissioner shall furnish a distinguishing annual identification card for each vehicle or power unit for which a fee has been paid. The identification card must at all times be carried in the vehicle or power unit to which it has been assigned. An identification card may be reassigned to another vehicle or power unit upon application of the carrier and payment of a transfer fee of \$10. An identification card issued under this section is valid only for the period for which the permit or certificate of registration is effective.

~~(d)~~ (c) A fee of \$10 is charged for the replacement of an unexpired identification card that has been lost.

(e) (d) The proceeds of the fees collected under this subdivision must be deposited in the trunk highway fund.

~~Subd. 2a. **Vehicle identification.** The permit holder must be identified on the power unit of each registered vehicle operated under the permit. Vehicles must show the name or the "doing business as" name of the permit holder operating the vehicle and the community and abbreviation of the state in which the permit holder maintains its principal office or in which the vehicle is customarily based. If the permit holder operates a leased vehicle, it may show its name and the name of the lessor on the vehicle, if the lease relationship is clearly shown. If the name of a person other than the operating permit holder appears on the vehicle, the words "operated by" must immediately precede the name of the permit holder. The name and address must be in letters that contrast sharply in color with the background, be readily legible during daylight hours from a distance of 50 feet while the vehicle is stationary, and be maintained in a manner that retains the legibility of the markings. The name and address may be shown by use of a removable device if that device meets the identification and legibility requirements of this subdivision.~~

~~Subd. 3. **Certificate carrier; annual vehicle registration.** Certificated passenger carriers shall pay an annual registration fee of \$40 for each vehicle, including pickup and delivery vehicles, operated during a calendar year. The commissioner shall issue distinguishing identification cards as provided in subdivision 2.~~

Subd. 4. **Floater card; fee.** The department may issue to carriers subject to subdivision 2 ~~or 3~~ special "floater" identification cards up to a maximum of five per motor carrier. Floater cards may be freely transferred between vehicles that have evidence of being inspected under section 221.0252, subdivision 3, paragraph (a), clause (2), within the previous 12 months, or have a current Commercial Vehicle Safety Alliance decal, and that are used under short-term leases by the motor carrier. The motor carrier shall pay a fee of \$100 for each floater card issued.

Subd. 5. **Limitation.** The provisions of this section are limited by applicable federal law.

Sec. 11. Minnesota Statutes 2006, section 221.132, is amended to read:

#### **221.132 PREPAID TEMPORARY VEHICLE IDENTIFICATION CARD.**

For special or extraordinary events, the commissioner may issue a prepaid temporary vehicle identification card to a ~~permit or~~ certificate holder subject to section 221.131, subdivision 2 ~~or 3~~, for a fee of \$5 per card. The card must be preprinted by the commissioner with the carrier's name, address, and ~~permit or~~ certificate number. The card may be used by the motor carrier to whom it is issued to identify a vehicle temporarily added to its fleet, if the vehicle has evidence of being inspected under section 221.0252, subdivision 3, paragraph (a), clause (2), within the previous 12 months, or has a current Commercial Vehicle Safety Alliance decal. The card must be executed by the motor carrier by dating and signing the card and describing the vehicle in which it will be carried. The identification card is valid for a period of ten days from the date the motor carrier places on the card when the card is executed. The card must be used within one year from the date of issuance by the commissioner. The card may not be used if the ~~permit or~~ certificate is not in full force and effect. The card may not be transferred. The commissioner may not refund the cost of unused prepaid temporary vehicle identification cards.

Sec. 12. Minnesota Statutes 2006, section 221.141, subdivision 4, is amended to read:

Subd. 4. **Household goods mover.** A household goods mover shall maintain in effect cargo insurance or cargo bond in the amount of \$50,000 and shall file with the commissioner a cargo certificate of insurance or cargo bond. A cargo certificate of insurance must conform to Form H, Uniform Motor Cargo Certificate of Insurance, described in Code of Federal Regulations, title 49, part 1023. A cargo bond must conform to Form J, described in Code of Federal Regulations, title 49, part 1023. Both Form H and Form J are incorporated by reference. The cargo certificate of insurance or cargo bond must be issued in the full and correct name of the person, corporation, or partnership to whom the household goods mover ~~permit certificate of registration~~ was issued and whose operations are being insured.



Sec. 13. Minnesota Statutes 2006, section 221.185, is amended to read:

**221.185 OPERATING AUTHORITY; SUSPENSION, CANCELLATION.**

Subdivision 1. **~~Grounds~~ Order for suspension.** Despite the provisions of section 221.021, a ~~household goods mover permit or a motor carrier certificate of~~ registration issued under ~~section~~ sections 221.0251 ~~or~~, 221.0252, ~~or~~ 221.0253 is suspended without a hearing, by order of the commissioner, if the permit certificate holder or carrier fails to:

(1) maintain and file with the commissioner, the insurance or bond required by section 221.141 and rules adopted under that section ~~or the carrier or permit holder fails to;~~

(2) pay annual vehicle registration fees ~~or renew permits~~ as required by section 221.131, ~~or the permit holder or carrier fails to; or~~

(3) pay an administrative penalty under section 221.036.

Subd. 2. **Notice of suspension.** (a) Failure to file and maintain insurance, ~~renew permits under section 221.131,~~ or to pay annual vehicle registration fees ~~or renew permits under section 221.131 or 221.296, or to maintain in good standing a protective agent's or private detective's license required under section 221.121, subdivision 6g, or 221.153, subdivision 3,~~ suspends a motor carrier's ~~permit or~~ certificate two days after the commissioner sends notice of the suspension by certified mail, return receipt requested, to the last known address of the motor carrier.

(b) In order to avoid permanent cancellation of the ~~permit or~~ certificate, the motor carrier must do one of the following within 45 days from the date of suspension:

(1) comply with the law by filing insurance or bond, ~~renewing permits,~~ or paying vehicle registration fees; or

(2) request a hearing before the commissioner regarding the failure to comply with the law.

Subd. 2a. **Notice of suspension; effective date.** The commissioner shall issue a notice of suspension if one of the conditions described in subdivision 1 occurs. The notice must give the reason for suspension and must be sent to the last known address of the carrier by certified mail, return receipt requested. A suspension is effective two days after a notice is mailed.

Subd. 3. **Suspension rescission.** If the motor carrier complies with the requirements of this chapter within 45 days after the date of suspension and pays the required fees, including a late vehicle registration fee of \$5 for each vehicle registered, the commissioner shall rescind the suspension unless the carrier's registration has expired. If a registered carrier fails to comply within one year of the effective date of a suspension, the carrier's registration is canceled.

Subd. 3a. **Hearing.** If the motor carrier requests a hearing within 45 days after the date of suspension, the commissioner shall review the suspension and:

(1) determine that the carrier has complied with the law and rescind the suspension;

(2) for just cause, grant an extension which must not exceed 20 days; or

(3) schedule a hearing to ascertain whether the carrier has failed to comply with the law. If it is determined after the hearing that the carrier has failed to comply with the law, the commissioner shall cancel the carrier's suspended ~~permit or~~ certificate.

Subd. 4. **Grounds for cancellation.** Except as provided in subdivision 5a, failure to comply with the requirements of ~~sections~~ section 221.141 ~~and 221.296~~ relating to bonds and insurance, ~~221.131 relating to permit renewal, 221.131 or 221.296~~ relating to annual vehicle registration or permit renewal, ~~221.121, subdivision 6g, or 221.153, subdivision 3, relating to protective agent or private detective licensure,~~ or to request a hearing within 45 days of the date of suspension, is deemed an abandonment of the motor carrier's ~~permit or~~ certificate and the ~~permit or~~ certificate must be canceled by the commissioner.

Subd. 5. **Notice of cancellation.** The commissioner shall notify the motor carrier by certified mail, return receipt requested, that the ~~permit or~~ certificate is canceled effective on the date of mailing the notice of cancellation.

Subd. 5a. **Reinstatement after cancellation.** A motor carrier whose permit or certificate is canceled for failure to comply with ~~sections~~ section 221.141 ~~and 221.296~~ relating to bonds and insurance may ask the commissioner to review the cancellation. Upon review, the commissioner shall rescind the cancellation if (1) the motor carrier presents evidence showing that before the effective date of the notice of cancellation issued under subdivision 5, the motor carrier had obtained and paid for the insurance required by ~~sections~~ section 221.141 ~~and 221.296~~, and the rules of the commissioner, and (2) the commissioner is satisfied that the motor carrier has complied with the requirements of ~~sections~~ section 221.141 ~~and 221.296~~ and the rules of the commissioner.

Subd. 9. **New petition.** If the holder of a canceled ~~permit or~~ certificate seeks authority to operate as a motor carrier it shall file a petition with the commissioner ~~for a permit or certificate as provided in section 221.121 or 221.296, whichever is applicable.~~

Sec. 14. Minnesota Statutes 2006, section 221.221, subdivision 3, is amended to read:

Subd. 3. **Delegated powers.** Representatives of the department to whom authority has been delegated by the commissioner for the purpose of enforcing sections 169.781 to 169.783 ~~and 221.171~~ and the rules, orders, or directives of the commissioner adopted or issued under those sections, and for no other purpose, ~~shall~~ have the powers conferred by law upon police officers. The representatives of the department have the power to inspect records, logs, freight bills, bills of lading, or other documents, which may provide evidence to determine compliance with sections 169.781 to 169.783 ~~and 221.171~~.

Sec. 15. Minnesota Statutes 2006, section 221.291, subdivision 4, is amended to read:

Subd. 4. **Operating without registration ~~or permit.~~** A person who operates a motor carrier without first registering under ~~section~~ sections 221.0251 ~~or~~, 221.0252, or ~~who operates as a household goods mover without having obtained the necessary permit 221.0253,~~ is guilty of a misdemeanor, and upon conviction ~~shall~~ must be fined not less than the maximum fine ~~which~~ that may be imposed for a misdemeanor for each violation.

Sec. 16. **REVISION OF RULES.**

The commissioner of transportation shall repeal, amend, and adopt revisions to rules relating to household goods contained in Minnesota Rules, chapters 7800 and 7805, and may use the expedited process for adopting rules under Minnesota Statutes, section 14.389.

Sec. 17. **INSTRUCTION TO REVISOR.**

The revisor of statutes shall change the phrase "sections 221.011 to 221.296" to read "this chapter" where found in Minnesota Statutes, sections 221.021, subdivision 1; 221.022; and 221.091, subdivision 1.

Sec. 18. **REPEALER.**

Minnesota Statutes 2006, sections 174.65; 221.011, subdivisions 24, 25, 28, 29, 38, 41, 44, and 45; 221.0252, subdivision 7; 221.072; 221.111; 221.121, subdivisions 1, 2, 3, 4, 5, 6, 6a, 6c, 6d, 6e, 6f, and 7; 221.122; 221.123; 221.131, subdivisions 2a and 3; 221.141, subdivision 6; 221.151; 221.152; 221.153, subdivisions 1 and 2; 221.161; 221.171; 221.172, subdivisions 3, 4, 5, 6, 7, and 8; and 221.296, subdivisions 3, 4, 5, 6, 7, and 8, are repealed.

ARTICLE 9

RAILROADS

Section 1. Minnesota Statutes 2006, section 218.021, subdivision 1, is amended to read:

Subdivision 1. **Discriminatory practices.** It shall be unlawful for any common carrier:

(1) to charge, demand, collect or receive for any service a greater or a lesser sum than that fixed in its published schedules;

(2) to make or give any undue or unreasonable preference or advantage, or any undue or unreasonable prejudice or disadvantage, to any person, company, firm, corporation, transit point or locality or to any particular description of traffic;

(3) by any special rate, rebate, drawback or other device, directly or indirectly, to charge, demand, collect or receive a greater or less compensation for any service rendered in the transportation of any property within this state than the regular established schedule of rates and charges for like and contemporaneous service for any other person, or for the public generally; or, directly or indirectly, to offer or give any shipper, in connection with or as an inducement or reward for receiving any property for transportation, any gift, gratuity or free pass or any rate less than that offered to the public;

(4) except as expressly permitted, to charge a greater rate per ton or per ton mile for a single carload of freight of any kind or class than for a greater number of carloads of the same kind or class, to and from the same points of origin or destination;

(5) to charge or receive any greater compensation for the transportation of a quantity of property for a shorter than for a longer distance over the same line, the shorter being included within the longer, but this shall not be so construed as to authorize any carrier to charge or receive as great compensation for a shorter as for a longer distance; or to charge or receive any greater compensation per ton per mile for the contemporaneous transportation of the same class of freight for a longer than for a shorter distance over the same line in the same general direction, or from the same original point of departure or to the same point of arrival, but this shall not be construed so as to authorize any carrier to charge as high a rate per ton per mile for a longer as for a shorter distance;

(6) to charge or receive for the transportation of freight of any description for any distance within this state a greater amount than is at the same time charged or received for a like quantity of freight of the same class over a greater distance of the same railway; or to charge or receive at any point upon its road a higher rate for receiving, handling or delivering freight of the same class or quantity than it shall at the same time charge or receive to any other point upon the same line; or to charge or receive for freight of any description over its railway a greater amount than at the same time is charged or received for the transportation of a like quantity of freight of the same class being transported over any portion of the same railway of equal distance; or to charge or receive from any person a greater amount than it shall at the same time charge or receive from any other person for the same class and like quantity of freight at the same point upon its railway; or to charge or receive from any person for the transportation of any freight upon its railway a greater amount than it shall at the same time charge or receive from

any other person for the transportation of a like quantity of freight of the same class being transported from the same point over an equal distance of the same railway; or to charge or receive from any person for the use and transportation of any railway car upon its railroad for any distance, a greater amount than is at the same time charged or received from any other person for the use and transportation of any railway car of the same class or number for a like purpose being transported over a greater distance of the same railway; or to charge or receive from any person for the use and transportation of any railway car upon its railroad a greater amount in the aggregate than it shall at the same time charge or receive from any other person for the use and transportation of any railway car of the same class for a like purpose being transported from the same original point of an equal distance of the same railway; provided, however, where two or more railroads serve a common point one having a shorter mileage than the other from a given point, the railroad having the longer mileage may be authorized by the commissioner to meet the rate made by the shortest line;

(7) to charge or receive more for transporting a car of freight than is charged or received per car for several cars of a like class of freight over the same railway for the same distance; or to charge or receive more for transporting a ton of freight than is charged or received per ton for more than a ton but less than a carload of like class over the same railway for the same distance; or to charge or receive more for transporting one hundred pounds of freight than is charged or received per hundred pounds above one hundred pounds but less than a ton of like class over the same railway for the same distance-;

(8) to fail to provide local first responders with an emergency phone number that is accessible at all times through which first responders can receive information regarding the location of and materials involved in a hazardous materials accident;

(9) to fail, upon request, to provide local first responders with an annual listing of hazardous materials transported by rail through their respective territories; and

(10) to fail to have annual training sessions as required under Code of Federal Regulations, title 49, parts 172.700 to 172.704, for all employees who may come in contact with hazardous materials, concerning the proper identification and response to accidents involving hazardous materials.

Sec. 2. Minnesota Statutes 2006, section 218.041, subdivision 6, is amended to read:

Subd. 6. **Investigative powers.** In the exercise of powers granted in this chapter, the commissioner may:

(1) subpoena books, papers, or accounts kept by any regulated business within or without the state, or compel production of verified copies;

(2) prepare all forms or blanks for obtaining information that the commissioner may deem necessary or useful for the proper exercise of the authority and duties of the commissioner in connection with regulated businesses, and prescribe the time and manner within which the blanks and forms must be completed and filed;

(3) inspect, at all reasonable times, and copy the books, records, memoranda, correspondence, or other documents and records of any business under the commissioner's jurisdiction; ~~and~~

(4) examine, under oath, any officer, agent, or employee of a business under the commissioner's jurisdiction concerning any matter within the commissioner's jurisdiction-; and

(5) assess common carriers, administer the state rail safety inspection account, and perform other duties on behalf of the state rail safety inspector under section 219.015.

Sec. 3. **[219.015] STATE RAIL SAFETY INSPECTOR.**

(a) The commissioner of transportation shall establish a position of state rail safety inspector in the Office of Freight and Commercial Vehicle Operations of the Minnesota Department of Transportation. The commissioner shall apply to the Federal Railroad Administration (FRA) of the United States Department of Transportation to participate in the Federal State Rail Safety Partnership Program for training and certification of an inspector under authority of United States Code, title 49, sections 20103, 20105, 20106, and 20113, and Code of Federal Regulations, title 49, part 212. The state rail safety inspector shall inspect mainline track, secondary track, and yard and industry track; inspect railroad right-of-way, including adjacent or intersecting drainage, culverts, bridges, overhead structures, and traffic and other public crossings; inspect yards and physical plants; review and enforce safety requirements; review maintenance and repair records; and review railroad security measures. To the extent delegated by the commissioner, the inspector may issue citations for violations of this chapter, or to ensure railroad employee and public safety and welfare.

(b) The commissioner shall annually assess railroad companies that are (1) defined as common carriers under section 218.011, (2) classified by federal law or regulation as Class I Railroads or Class I Rail Carriers, and (3) operating in this state, by a division of equal proportion between carriers, assessed in equal amounts for 365 days of the calendar year. The commissioner shall assess all start-up or re-establishment costs, and all related costs of initiating the state rail safety inspector program beginning July 1, 2007. The state rail inspector duties must begin and be assessed on January 1, 2008. The assessments must be deposited in a special account in the special revenue fund, to be known as the state rail safety inspection account. Money in the account is appropriated to the commissioner and may be expended to cover the costs incurred for the establishment and ongoing responsibilities of the state rail safety inspector.

(c) The commissioner may exempt a common carrier not federally classified as Class I from violations for a period of up to two years if the common carrier applies for participation in a work site safety coaching program, such as the "MNSharp" program administered by the Minnesota Department of Labor and Industry, and the commissioner determines such participation to be preferred enforcement for safety or security violations.

(d) Any person aggrieved by an assessment levied under this section may appeal within 90 days any assessment, violation, or administrative penalty to the Office of Administrative Hearings, with further appeal and review by the district court.

Sec. 4. **[219.371] DEFINITIONS.**

Subdivision 1. **Scope.** The terms used in sections 219.371 to 219.382 have the meanings given them in this section and section 218.011.

Subd. 2. **Inside edge of a walkway.** "Inside edge of a walkway" means that edge of a walkway closest to the nearest rail of the track for which the walkway is constructed.

Subd. 3. **Major repair.** "Major repair" means a repair that normally requires greater than four hours of work to accomplish or involves the use of specialized tools and equipment. Major repairs include such activities as coupler replacement, draft gear repair, and repairs requiring the use of an air jack, but the term does not include changing wheels on intermodal loading ramps either with or without an air jack.

Subd. 4. **Railroad shop or repair track.** "Railroad shop" or "repair track" means a fixed repair facility or track that is regularly and consistently used to perform major repairs, regardless of whether a mobile repair vehicle is used to conduct the repairs.

Subd. 5. **Structure.** "Structure" means any bridge or trestle on which a railroad track is constructed.

Subd. 6. **Walkway.** "Walkway" means a pathway located alongside or in the vicinity of a railroad track for the purpose of providing an area for railroad employees to perform their normal trackside duties.

Subd. 7. **Yard.** "Yard" means a system of tracks other than main tracks and sidings used for making up trains, storing cars, and other purposes including the inspection, repair, and cleaning of cars.

Sec. 5. **[219.372] WALKWAYS ON BRIDGES AND TRESTLES.**

(a) All walkways must be kept free from obstacles that would render them unsafe or difficult to traverse on foot, except those facilities with minimum clearances prescribed by other sections of this chapter.

(b) Walkways must be equipped with a securely attached handrail located on the side of the walkway farthest from the track, except no handrails are required on through-girder structures. Handrails must be located so as to comply with the clearance standards in sections 219.45 to 219.53.

(c) Walkways on bridges and trestles must conform to the standards of width, surface, and vertical placement for walkways alongside track set forth in section 219.373, except that the inside edge of such a walkway may be placed closer than six feet from the nearest rail when necessary.

(d) This section does not apply to culverts.

Sec. 6. **[219.373] WALKWAYS BY TRACK; GENERAL STANDARDS.**

(a) Consistent with section 219.50, every railroad company shall provide a walkway alongside track that has a regular surface that is smooth and safe for use by railroad employees and other persons who have duties in proximity to trains. The walkway must be kept reasonably free of hazards and obstructions, including, but not limited to, debris, litter, fuel, oil, sand, boulders, posts, tie materials, holes, ruts, potholes, grains, grain products or byproducts, fertilizer products, chemical, chemical molten, steel, tin, metallic products, solid raw minerals, palletized products, silica products, materials spilled during revenue shipment, and detached pieces or parts of railroad rolling stock or track structure.

(b) Except as otherwise provided in paragraph (g) or otherwise exempted by other law, a walkway alongside track that is required under sections 219.373 to 219.382 must be constructed and maintained in conformity to the standards in sections 219.373 to 219.383.

(c) A walkway alongside track that is required pursuant to sections 219.373 to 219.382 must:

(1) provide a reasonably regular surface that is smooth and safe for use by railroad employees and other persons who have duties in proximity to trains;

(2) be surfaced with crushed material, asphaltic concrete, planking, or other material that does not compromise track drainage;

(3) unless the grade of the track is greater than one inch in eight inches, have a grade that is less than one inch in eight inches;

(4) if the walkway is alongside track with a curve greater than 18 degrees, be not less than one foot wider than otherwise required; and

(5) be kept reasonably free of hazards and obstructions listed in paragraph (a).

(d) Except as provided otherwise in this section or sections 219.374 to 219.379, walkways located along main-line tracks and tracks where switching is regularly performed more than twice in a seven-day period must be surfaced with crushed material not to exceed American Railway Engineering and Maintenance-of-Way Association (AREMA) standard number 4, 1-1/2 inches in size, or with asphalt, concrete, planking, grating, or similar material.

(e) Walkways located along switching lead tracks, switches in yards, car spotting areas, and railroad shop or repair tracks must be surfaced with crushed material not to exceed AREMA standard number 5, three-fourths to one inch in size, or with asphalt, concrete, planking, grating, or similar material.

(f) This section is temporarily suspended during periods of heavy rain or snow, derailments, rocks and earth slides, and similar abnormal periods and for a reasonable time thereafter to permit restoration work.

(g) Compliance with sections 219.372 to 219.379 is not a defense to any civil action brought for the violation of a railroad safety law, regulation, rule, or order.

(h) The commissioner, after investigation, upon the commissioner's own motion, or upon the petition of the aggrieved person, may determine that the safety of railroad employees requires implementation of the applicable standards set forth in paragraphs (b) to (e), for any walkway.

**Sec. 7. [219.374] WALKWAYS BY MAIN-LINE TRACK.**

Except as otherwise provided in section 219.375, 219.377, or 219.378, walkways alongside main-line track, in addition to the requirements of section 219.373, must:

(1) be present on each side of the track within two miles in either direction of a track-side train defect detector, with a total walkway length of not less than 300 feet at each inspection location;

(2) be not less than two feet in width; and

(3) provide a minimum side clearance of 8-1/2 feet from the centerline of the track to the outside edge of the walkway.

**Sec. 8. [219.375] WALKWAYS BY TRACK AT SIDING LOCATIONS.**

Walkways alongside main-line and branch-line track at siding locations, in addition to the requirements of section 219.373, must:

(1) be present:

(i) on the outside of the main-line or branch-line track; and

(ii) on the outside of the siding track;

(2) be not less than two feet in width; and

(3) provide a minimum side clearance of 8-1/2 feet from the centerline of the track to the outside edge of the walkway.

Sec. 9. **[219.3755] WALKWAYS BY TRACKS WHERE TRAIN CREWS SHIFT.**

Walkways alongside main-line and siding tracks at nonterminal locations that are frequently used as train crew relief for boarding and debarking crews, in addition to the requirements of section 219.373, must:

(1) be present:

(i) on the outside of the main-line or branch-line track; and

(ii) on the outside of the siding track;

(2) be not less than two feet in width;

(3) provide a minimum side clearance of 8-1/2 feet from the centerline of the track to the outside edge of the walkway;

(4) be surfaced according to AREMA standard number 5 or with three-fourths inch to one inch crushed material, asphalt, concrete, planking, or other material that does not compromise track drainage; and

(5) run continuous from a road, walkway, or other right-of-way to 100 feet past the designated stopping point for the train or locomotive.

Sec. 10. **[219.376] WALKWAYS BY TRACK IN YARDS, INDUSTRY TURNOUTS, AND SPOTTING AREAS.**

Walkways alongside track in all yards and in advance thereof, wherever an employee's assigned duties regularly require the employee to be present on the ground in proximity to the track and, except as otherwise provided in section 219.377 or 219.378, in industry turnouts and spotting areas, in addition to the requirements of section 219.373, must:

(1) be present on each side of the track not less than 50 feet in advance of the turnout;

(2) be not less than two feet in width;

(3) provide a minimum side clearance of 8-1/2 feet from the centerline of the track to the outside edge of the walkway; and

(4) if the track is in a yard where substantial switching is performed, be:

(i) present between tracks;

(ii) present alongside tracks bordering the yard or switching area; and

(iii) if the tracks are 17 feet apart or less, continuous between the tracks.

Sec. 11. **[219.377] WALKWAYS BY TRACK AT MAIN-LINE TURNOUTS ENTERING YARDS OR SERVING INDUSTRY TRACKS.**

Except as otherwise provided in section 219.378 or 219.379, walkways alongside track at main-line turnouts entering yards or serving industry tracks, in addition to the requirements of section 219.373, must:



(1) be present on the switch stand side of the track from not less than 50 feet ahead of each switch stand to not less than 25 feet beyond the 12-1/2 feet clearance point behind the switch stand;

(2) if 20 feet or more from the switch stand, be not less than six feet in width;

(3) if less than 20 feet, but more than four feet from the switch stand:

(i) be not less than six feet in width;

(ii) have a straight outer edge; and

(iii) occupy a total area of not less than 120 square feet; and

(4) if less than four feet from the switch stand, be not less than three feet in width.

Sec. 12. **[219.378] WALKWAYS BY MAIN-LINE TRACK AT TURNOUTS FOR SWITCHING CARS.**

Walkways alongside main-line track at turnouts used frequently for switching cars, in addition to the requirements of sections 219.373 to 219.377, must:

(1) be present on the switch stand side of the track from not less than 125 feet ahead of the switch stand to not less than 25 feet beyond the 12-1/2 feet clearance point behind the switch stand;

(2) if 20 feet or more from the switch stand, be not less than six feet in width;

(3) if less than 20 feet, but more than four feet from the switch stand:

(i) be not less than six feet in width;

(ii) have a straight outer edge; and

(iii) occupy a total area of not less than 120 square feet; and

(4) if less than four feet from the switch stand, be not less than three feet in width.

Sec. 13. **[219.379] WALKWAYS BY TRACK AT OTHER TURNOUTS.**

Walkways alongside tracks at short-line and branch-line turnouts and, except as otherwise provided in section 219.378, at all power-operated turnouts, in addition to the requirements of section 219.373, must:

(1) be present on the switch stand side of the track from not less than 50 feet ahead of the switch stand to not less than the 12-1/2 feet clearance point behind the switch stand;

(2) if ten feet or more from the switch stand, be not less than five feet in width;

(3) if less than ten feet, but more than four feet from the switch stand:

(i) be not less than five feet in width;

(ii) have a straight outer edge; and

(iii) occupy a total area of not less than 39 square feet; and

(4) if four feet or less from the switch stand, be not less than three feet in width.

Sec. 14. **[219.381] WALKWAY EXEMPTIONS.**

Subdivision 1. **Existing track.** (a) Section 219.373, paragraphs (b) to (g), and sections 219.374 to 219.379 and 219.382 do not apply to track placed in revenue service before the effective date of this section until the date and time track and supporting structure are repaired, resurfaced, replaced, or as ordered by the commissioner of transportation pursuant to paragraph (b).

(b) The commissioner of transportation shall issue an order requiring the construction or maintenance of a walkway alongside track described in paragraph (a) on determining, after notice and hearing, that the construction or maintenance of a walkway alongside the track is necessary to eliminate an unsafe or hazardous condition.

Subd. 2. **Small business.** (a) Except as otherwise provided in paragraph (b), a small business that owns or operates any track in this state is exempt from sections 219.373 to 219.382.

(b) On determining after notice and hearing that exempting a small business that owns or operates any track in this state pursuant to paragraph (a) poses an unreasonable threat of substantial harm to the public safety, the commissioner of transportation shall order that business to eliminate any unsafe walkway condition.

(c) As used in this section, "small business" has the meaning given it in section 645.445.

Sec. 15. **[219.382] LIABILITY.**

Sections 219.371 to 219.379 do not preclude or preempt civil liability to an injured party under state or federal laws for failure to provide a reasonably safe walkway.

Sec. 16. **SHORT TITLE.**

Sections 2 to 15 may be cited as the "Railroad Walkways Safety Act."

Sec. 17. **EFFECTIVE DATE.**

This article is effective July 1, 2007."

Delete the title and insert:

"A bill for an act relating to transportation; modifying or adding provisions related to geotechnical investigations before eminent domain proceedings, streets and highways, highway safety rest areas, highway construction bids and training, town road abandonment, bridges, special mobile equipment, motor vehicle titles, motor vehicle transfers, traffic regulations, flammable liquid definition, drivers' licenses and identification cards, the Real ID Act, traffic-control signals, transportation goals and mission, statewide transportation plan, metropolitan transportation system performance evaluations, transportation contracts, rail service improvement, use of rail bank property, towing, transit and paratransit, special transportation, small vehicle passenger service, transportation accessibility, transit ways and facilities, light rail transit, vehicle license plates, vehicle size and weight restrictions, vehicle load limits and permits, paper product vehicle routes and permits, definition of full-size pickup truck, vehicle idle reduction technology, commercial vehicles and drivers, vehicle registration, insurance requirements for vehicles owned by charitable organizations, the Unified Carrier Registration Agreement, household goods movers, obsolete motor

carrier laws and conforming changes, railroad company requirements, the position of state rail safety inspector, and the Railroad Walkways Safety Act; requiring studies and reports; imposing penalties; making clarifying and technical changes; appropriating money; amending Minnesota Statutes 2006, sections 117.041, by adding a subdivision; 160.02, subdivision 19, by adding a subdivision; 161.14, subdivision 18, by adding subdivisions; 161.32, subdivisions 1, 1b, 4; 164.06, subdivision 2; 165.01; 165.03; 168.011, subdivision 22; 168.013, subdivision 1e; 168.10, subdivisions 1a, 1b, 1c, 1d, 1g, 1h, 1i; 168.12, subdivisions 1, 2, 2a, 2b, 2c, 2d, 2e; 168A.01, by adding a subdivision; 168A.05, subdivisions 3, 5; 168A.10, subdivision 1; 168A.101; 168A.151, subdivision 1; 168A.153; 168B.04, subdivision 2; 169.01, subdivisions 4c, 19, 20, 78, by adding a subdivision; 169.041, subdivisions 1, 2; 169.06, subdivision 5; 169.14, subdivision 2; 169.34; 169.471, subdivision 1; 169.781; 169.782, subdivision 1; 169.783, subdivision 1; 169.81, subdivisions 2, 3c; 169.823, subdivision 1; 169.824, subdivision 2; 169.8261; 169.86, subdivision 5, by adding a subdivision; 169.862; 169.864, subdivisions 1, 2; 169.87, subdivision 4; 171.01, by adding a subdivision; 171.02, subdivision 1; 171.06, subdivision 3; 171.07, subdivisions 1, 3; 171.14; 174.01, subdivision 2; 174.02, subdivision 1a; 174.03, subdivision 1, by adding subdivisions; 174.24, subdivision 2a; 174.255, by adding a subdivision; 174.29, by adding subdivisions; 174.30, subdivisions 4, 9; 174.64, subdivisions 2, 4; 174.66; 218.021, subdivision 1; 218.041, subdivision 6; 221.011, subdivision 8, by adding a subdivision; 221.025; 221.026; 221.031, subdivisions 1, 6; 221.0314, subdivision 9, by adding a subdivision; 221.033, subdivision 2d; 221.036, subdivisions 1, 3; 221.037, subdivision 1; 221.091, subdivision 2; 221.131; 221.132; 221.141, subdivisions 1, 4; 221.185; 221.221, subdivision 3; 221.231; 221.291, subdivision 4; 221.60, subdivision 1, by adding a subdivision; 222.50, subdivision 7; 222.63, subdivision 4, by adding a subdivision; 299F.60, subdivision 1; 299J.16, subdivision 1; 325F.665, by adding a subdivision; 473.1466; 473.166; 473.386, subdivisions 1, 2, 2a, 3; 473.399; 473.3993, subdivisions 1, 3, by adding a subdivision; 473.3994; 473.3997; 473.4051; 473.408, by adding a subdivision; Laws 2005, First Special Session chapter 1, article 4, section 39; proposing coding for new law in Minnesota Statutes, chapters 160; 161; 169; 174; 219; 221; 473; repealing Minnesota Statutes 2006, sections 168A.05, subdivision 5a; 174.65; 221.011, subdivisions 24, 25, 28, 29, 38, 41, 44, 45; 221.0252, subdivision 7; 221.072; 221.111; 221.121, subdivisions 1, 2, 3, 4, 5, 6, 6a, 6c, 6d, 6e, 6f, 7; 221.122; 221.123; 221.131, subdivisions 2a, 3; 221.141, subdivision 6; 221.151; 221.152; 221.153, subdivisions 1, 2; 221.161; 221.171; 221.172, subdivisions 3, 4, 5, 6, 7, 8; 221.296, subdivisions 3, 4, 5, 6, 7, 8; 221.60, subdivisions 2, 3, 3a, 4, 5, 6; 221.601; 221.602; 325E.0951, subdivision 3a; 473.1465; 473.247; Laws 1999, chapter 230, section 44."

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.

Carlson from the Committee on Finance to which was referred:

H. F. No. 1564, A bill for an act relating to education finance; creating a special education maintenance of effort adjustment; amending Minnesota Statutes 2006, section 125A.76, by adding a subdivision.

Reported the same back with the recommendation that the bill pass and be re-referred to the Committee on Ways and Means.

The report was adopted.

Carlson from the Committee on Finance to which was referred:

H. F. No. 2245, A bill for an act relating to education; modifying general education aid; amending Minnesota Statutes 2006, section 126C.13, subdivision 4.

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

The report was adopted.

Lenczewski from the Committee on Taxes to which was referred:

H. F. No. 2362, A bill for an act relating to sales and use tax; requiring the Department of Revenue to do a study of sales and use tax.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

#### "ARTICLE 1

#### HOMESTEAD CREDIT STATE REFUND HOMEOWNERS AND RENTERS

Section 1. Minnesota Statutes 2006, section 273.1384, subdivision 1, is amended to read:

Subdivision 1. **Residential homestead market value credit.** (a) Each county auditor shall determine a homestead credit for each class 1a, 1b, and 2a homestead property within the county equal to 0.4 percent of the first \$76,000 of market value of the property 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 that 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, not all the owners have qualifying relatives occupying the property, or solely because not all the spouses of owners 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. For the purpose of this section, when an owner-occupant's spouse does not occupy the property, the percentage of ownership for the owner-occupant spouse is one-half of the couple's ownership percentage.

(b) For property taxes payable in 2008 and thereafter, the county auditor shall determine the amount of the homestead credit under paragraph (a) and this paragraph. The county auditor shall report the amount of the credit to the taxpayer on the property tax statement or in another manner, as authorized by the commissioner of revenue. The amount of the credit allowed for the property taxes payable year is to be computed as the following percentage of the credit amount under paragraph (a):

(1) for property taxes payable in 2008, 100 percent;

(2) for property taxes payable in 2009, 60 percent;

(3) for property taxes payable in 2010, 30 percent; and

(4) for property taxes payable in 2011 or thereafter, no credit is allowed.

**EFFECTIVE DATE.** This section is effective beginning for property taxes payable in 2008.

Sec. 2. Minnesota Statutes 2006, 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); any items required by the commissioner of revenue under section 273.1384, subdivision 1, paragraph (b); and~~

~~(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 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)~~ (4) 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 paragraph (c), 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 taxes payable in 2008 and thereafter.

Sec. 3. Minnesota Statutes 2006, 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. Beginning for property taxes payable in 2008, the amount of the credit under section 273.1384, subdivision 1, must not be deducted in computing property taxes 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 of the gross rent paid in the preceding year for the site on which the homestead is located. When a homestead is owned by two or more persons as joint tenants or tenants in common, such tenants shall determine between them which tenant may claim the property taxes payable on the homestead. If they are unable to agree, the matter shall be referred to the commissioner of revenue whose decision shall be final. Property taxes are considered payable in the year prescribed by law for payment of the taxes.

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

**EFFECTIVE DATE.** This section is effective beginning for refund claims based on property taxes payable in 2008.

Sec. 4. Minnesota Statutes 2006, section 290A.04, subdivision 2a, is amended to read:

Subd. 2a. **Renters.** (a) A claimant whose rent constituting property taxes exceeds the percentage of the household income stated below must pay an amount equal to the percent of income shown for the appropriate household income level along with the percent to be paid by the claimant of the remaining amount of rent constituting property taxes. The state refund equals the amount of rent constituting property taxes that remain, up to the maximum state refund amount shown below.

Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
<del>\$0 to 3,589</del> <u>\$0 to 4,579</u>	1.0 percent	5 percent	<del>\$1,190</del> <u>\$1,500</u>
<del>3,590 to 4,779</del> <u>4,580 to 6,099</u>	1.0 percent	10 percent	<del>\$1,190</del> <u>\$1,500</u>
<del>4,780 to 5,969</del> <u>6,100 to 7,619</u>	1.1 percent	10 percent	<del>\$1,190</del> <u>\$1,500</u>
<del>5,970 to 8,369</del> <u>7,620 to 10,669</u>	1.2 percent	10 percent	<del>\$1,190</del> <u>\$1,500</u>
<del>8,370 to 10,759</del> <u>10,670 to 13,729</u>	1.3 percent	15 percent	<del>\$1,190</del> <u>\$1,500</u>
<del>10,760 to 11,949</del> <u>13,730 to 15,239</u>	1.4 percent	15 percent	<del>\$1,190</del> <u>\$1,500</u>
<del>11,950 to 13,139</del> <u>15,240 to 16,769</u>	1.4 percent	20 percent	<del>\$1,190</del> <u>\$1,500</u>
<del>13,140 to 15,539</del> <u>16,770 to 19,829</u>	1.5 percent	20 percent	<del>\$1,190</del> <u>\$1,500</u>
<del>15,540 to 16,729</del> <u>19,830 to 21,349</u>	1.6 percent	20 percent	<del>\$1,190</del> <u>\$1,500</u>
<del>16,730 to 17,919</del> <u>21,350 to 22,859</u>	1.7 percent	25 percent	<del>\$1,190</del> <u>\$1,500</u>
<del>17,920 to 20,319</del> <u>22,860 to 25,929</u>	1.8 percent	25 percent	<del>\$1,190</del> <u>\$1,500</u>
<del>20,320 to 21,509</del> <u>25,930 to 27,439</u>	1.9 percent	30 percent	<del>\$1,190</del> <u>\$1,500</u>
<del>21,510 to 22,699</del> <u>27,440 to 28,959</u>	2.0 percent	30 percent	<del>\$1,190</del> <u>\$1,500</u>
<del>22,700 to 23,899</del> <u>28,960 to 30,499</u>	2.2 percent	30 percent	<del>\$1,190</del> <u>\$1,500</u>

<del>23,900 to 25,089</del> <u>30,500 to 32,009</u>	2.4 percent	30 percent	<del>\$1,190</del> <u>\$1,500</u>
<del>25,090 to 26,289</del> <u>32,010 to 33,539</u>	2.6 percent	35 percent	<del>\$1,190</del> <u>\$1,500</u>
<del>26,290 to 27,489</del> <u>33,540 to 35,079</u>	2.7 percent	35 percent	<del>\$1,190</del> <u>\$1,500</u>
<del>27,490 to 28,679</del> <u>35,080 to 36,589</u>	2.8 percent	35 percent	<del>\$1,190</del> <u>\$1,500</u>
<del>28,680 to 29,869</del> <u>36,590 to 38,109</u>	2.9 percent	40 percent	<del>\$1,190</del> <u>\$1,500</u>
<del>29,870 to 31,079</del> <u>38,110 to 39,649</u>	3.0 percent	40 percent	<del>\$1,190</del> <u>\$1,500</u>
<del>31,080 to 32,269</del> <u>39,650 to 41,169</u>	3.1 percent	40 percent	<del>\$1,190</del> <u>\$1,500</u>
<del>32,270 to 33,459</del> <u>41,170 to 42,689</u>	3.2 percent	40 percent	<del>\$1,190</del> <u>\$1,500</u>
<del>33,460 to 34,649</del> <u>42,690 to 49,729</u>	3.3 percent	45 percent	<del>\$1,080</del> <u>\$1,370</u>
<del>34,650 to 35,849</del> <u>49,730 to 51,459</u>	3.4 percent	45 percent	<del>\$960</del> <u>\$1,220</u>
<del>35,850 to 37,049</del> <u>51,460 to 53,189</u>	3.5 percent	45 percent	<del>\$830</del> <u>\$1,050</u>
<del>37,050 to 38,239</del> <u>53,190 to 54,899</u>	3.5 percent	50 percent	<del>\$720</del> <u>\$910</u>
<del>38,240 to 39,439</del> <u>54,900 to 56,609</u>	3.5 percent	50 percent	<del>\$600</del> <u>\$760</u>
<del>38,440 to 40,629</del> <u>56,610 to 58,319</u>	3.5 percent	50 percent	<del>\$360</del> <u>\$450</u>
<del>40,630 to 41,819</del> <u>58,320 to 60,000</u>	3.5 percent	50 percent	<del>\$120</del> <u>\$150</u>

(b) The payment made to a claimant is the amount of the state refund calculated under this subdivision. No payment is allowed if the claimant's household income is ~~\$41,820~~ \$60,000 or more.

**EFFECTIVE DATE.** This section is effective beginning for claims filed for rent paid after December 31, 2006.



Sec. 5. Minnesota Statutes 2006, section 290A.04, subdivision 2h, is amended to read:

Subd. 2h. **Additional refund.** (a) If the gross property taxes payable on a homestead increase more than 12 percent over the property taxes payable in the prior year on the same property that is owned and occupied by the same owner on January 2 of both years, and the amount of that increase is \$100 or more, a claimant who is a homeowner shall be allowed an additional refund equal to 60 percent of the amount of the increase over the greater of 12 percent of the prior year's property taxes payable or \$100. This subdivision shall not apply to any increase in the gross property taxes payable attributable to improvements made to the homestead after the assessment date for the prior year's taxes. This subdivision shall not apply to any increase in the gross property taxes payable attributable to the termination of valuation exclusions under section 273.11, subdivision 16, or to the reduction in and elimination of the homestead market value credit under section 273.1384, subdivision 1, paragraph (b).

The maximum refund allowed under this subdivision is \$1,000.

(b) For purposes of this subdivision "gross property taxes payable" means property taxes payable determined without regard to the refund allowed under this subdivision.

(c) In addition to the other proofs required by this chapter, each claimant under this subdivision shall file with the property tax refund return a copy of the property tax statement for taxes payable in the preceding year or other documents required by the commissioner.

(d) Upon request, the appropriate county official shall make available the names and addresses of the property taxpayers who may be eligible for the additional property tax refund under this section. The information shall be provided on a magnetic computer disk. The county may recover its costs by charging the person requesting the information the reasonable cost for preparing the data. The information may not be used for any purpose other than for notifying the homeowner of potential eligibility and assisting the homeowner, without charge, in preparing a refund claim.

**EFFECTIVE DATE.** This section is effective for claims based on property taxes payable in 2008 and thereafter.

Sec. 6. Minnesota Statutes 2006, section 290A.04, is amended by adding a subdivision to read:

Subd. 2k. **Homestead credit state refund.** (a) A claimant who is a homeowner is entitled to a state refund of the amount of the property taxes payable in excess of two percent of the claimant's household income, based on the percentage and maximum for the appropriate household income level shown below. The refund amount determined from the table must be reduced further by the amount of the homestead market value credit under section 273.1384, subdivision 1, paragraph (b), but not to an amount that is less than zero.

<u>Household Income</u>	<u>Refund Percentage</u>	<u>Maximum State Refund</u>
<u>0 to \$5,399</u>	<u>90 percent</u>	<u>\$2,500</u>
<u>5,400 to 18,899</u>	<u>85 percent</u>	<u>2,500</u>
<u>18,900 to 26,999</u>	<u>80 percent</u>	<u>2,500</u>
<u>27,000 to 32,399</u>	<u>75 percent</u>	<u>2,500</u>
<u>32,400 to 37,799</u>	<u>70 percent</u>	<u>2,500</u>

<u>37,800 to 45,899</u>	<u>65 percent</u>	<u>2,500</u>
<u>45,900 to 64,699</u>	<u>60 percent</u>	<u>2,500</u>
<u>64,700 to 80,899</u>	<u>55 percent</u>	<u>2,300</u>
<u>80,900 to 94,399</u>	<u>50 percent</u>	<u>2,100</u>
<u>94,400 to 99,299</u>	<u>45 percent</u>	<u>1,900</u>
<u>99,300 to 104,099</u>	<u>40 percent</u>	<u>1,700</u>
<u>104,100 to 115,599</u>	<u>30 percent</u>	<u>1,500</u>
<u>115,600 to 127,199</u>	<u>30 percent</u>	<u>1,250</u>
<u>127,200 to 134,099</u>	<u>25 percent</u>	<u>1,000</u>
<u>134,100 to 138,799</u>	<u>25 percent</u>	<u>750</u>
<u>138,800 to 144,399</u>	<u>25 percent</u>	<u>500</u>
<u>144,400 to 150,000</u>	<u>25 percent</u>	<u>250</u>

(b) No payment is allowed under paragraph (a) if the claimant's household income is more than \$150,000.

**EFFECTIVE DATE.** This section is effective beginning for claims based on property taxes payable in 2008.

Sec. 7. Minnesota Statutes 2006, section 290A.04, subdivision 4, is amended to read:

Subd. 4. **Inflation adjustment.** Beginning for property tax refunds payable in calendar year ~~2002~~ 2009, the commissioner shall annually adjust the dollar amounts of the income thresholds and the maximum refunds under subdivisions ~~2 and 2a and 2k~~ for inflation. The commissioner shall make the inflation adjustments in accordance with section 1(f) of the Internal Revenue Code, except that for purposes of this subdivision the percentage increase shall be determined from the year ending on June 30, ~~2000~~ 2007, to the year ending on June 30 of the year preceding that in which the refund is payable. The commissioner shall use the appropriate percentage increase to annually adjust the income thresholds and maximum refunds under subdivisions ~~2 and 2a and 2k~~ for inflation without regard to whether or not the income tax brackets are adjusted for inflation in that year. The commissioner shall round the thresholds and the maximum amounts, as adjusted to the nearest \$10 amount. If the amount ends in \$5, the commissioner shall round it up to the next \$10 amount.

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

**EFFECTIVE DATE.** This section is effective beginning for claims based on property taxes payable in 2009.

Sec. 8. **REPEALER.**

Minnesota Statutes 2006, section 290A.04, subdivision 2, is repealed.

**EFFECTIVE DATE.** This section is effective for claims based on property taxes payable in 2008 and later.

## ARTICLE 2

## AIDS TO LOCAL GOVERNMENTS

Section 1. Minnesota Statutes 2006, 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 300~~; 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~~; 0.31 multiplied by the difference between the city's population and 100. The city revenue need for a city with a population less than 2,500 may not exceed 500.

(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.

(e) For calendar year ~~2005~~ 2008 and subsequent years, the city revenue need for a city, as determined in paragraphs (a) to (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~~ 2000 implicit price deflator for state and local government purchases.

**EFFECTIVE DATE.** This section is effective for aids payable in 2008.

Sec. 2. Minnesota Statutes 2006, 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) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) The city aid base for a city is increased by \$150,000 in calendar years 2002 to 2011 and by an additional \$75,000 in calendar years 2008 to 2013 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 and by \$75,000 in calendar year 2008 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.

(o) 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.

(p) 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.

(q) 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.

(r) The city aid base for a city is increased by ~~\$25,000~~ \$30,000 in ~~2006~~ 2008 only and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by ~~\$25,000~~ \$30,000 in calendar year ~~2006~~ 2008 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.

(s) The city aid base for a city with a population less than 5,000 is increased in 2006 and thereafter and the minimum and maximum amount of total aid it may receive under this section is also increased in calendar year 2006 only by an amount equal to \$6 multiplied by its population.

(t) The city aid base for a city is increased by \$80,000 in 2007 only and the minimum and maximum amount of total aid it may receive under section 477A.013, subdivision 9, is also increased by \$80,000 in calendar year 2007 only, if:

(1) as of May 1, 2006, at least 25 percent of the tax capacity of the city is proposed to be placed in trust status as tax-exempt Indian land;

(2) the placement of the land is being challenged administratively or in court; and

(3) due to the challenge, the land proposed to be placed in trust is still on the tax rolls as of May 1, 2006.

(u) The city aid base for a city is increased by \$100,000 in 2007 and thereafter and the minimum and maximum total amount of aid it may receive under this section is also increased in calendar year 2007 only, provided that:

(1) the city has a 2004 estimated population greater than 200 but less than 2,000;

(2) its city net tax capacity for aids payable in 2006 was less than \$300 per capita;

(3) the ratio of its pay 2005 tax levy compared to its city net tax capacity for aids payable in 2006 was greater than 110 percent; and

(4) it is located in a county where at least 15,000 acres of land are classified as tax-exempt Indian reservations according to the 2004 abstract of tax-exempt property.

(v) The city aid base for a city is increased by \$140,000 in 2008 and thereafter, and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$140,000 in calendar year 2008 only if the city had a population in 2005 of less than 3,000 and the city's boundaries as of 2007 were formed by the consolidation of two cities and one township in 2002.

(w) The city aid base for a city is increased by \$100,000 in 2008 and thereafter, and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$100,000 in calendar year 2008 only if the city had a city net tax capacity for aids payable in 2007 of less than \$150 per capita and the city experienced flooding on March 14, 2007, that resulted in evacuation of at least 40 homes.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2007.

Sec. 3. Minnesota Statutes 2006, section 477A.0124, subdivision 5, is amended to read:

Subd. 5. **County transition aid.** (a) For 2005, a county is eligible for transition aid equal to the amount, if any, by which:

(1) the difference between:

(i) the aid the county received under subdivision 1 in 2004, divided by the total aid paid to all counties under subdivision 1, multiplied by \$205,000,000; and

(ii) the amount of aid the county is certified to receive in 2005 under subdivisions 3 and 4;

exceeds:

(2) three percent of the county's adjusted net tax capacity.

A county's aid under this paragraph may not be less than zero.

(b) In 2006, a county is eligible to receive two-thirds of the transition aid it received in 2005.

(c) In 2007 and thereafter, a county is eligible to receive one-third of the transition aid it received in 2005.

(d) No county shall receive aid under this subdivision after 2007. In 2008 only, a county that in 2003 was directed to construct new court facilities by the tenth judicial district of the State of Minnesota is eligible to receive \$250,000 in transition aid, provided that construction of the facilities commences before July 1, 2008.

**EFFECTIVE DATE.** This section is effective for aids payable in 2008 and thereafter.

Sec. 4. Minnesota Statutes 2006, 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; the taconite aids under sections 298.28 and 298.282 to any city except a city directly impacted by a taconite mine or plant, 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.~~

~~For purposes of this subdivision, "a city directly impacted by a taconite mine or plant" means: (1) Babbitt, (2) Eveleth, (3) Hibbing, (4) Keewatin, (5) Mountain Iron, (6) Silver Bay, or (7) Virginia.~~

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.

**EFFECTIVE DATE.** This section is effective beginning with aids payable in 2008.

Sec. 5. Minnesota Statutes 2006, section 477A.013, subdivision 9, is amended to read:

Subd. 9. **City aid distribution.** (a) In calendar year ~~2002 and thereafter~~ 2008, 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, ~~and (3) one-half of the difference between its total aid in the previous year under this section and its city aid base in the previous year.~~ For aids payable in 2009 and thereafter, each city shall receive an aid distribution equal to the sum of (1) the city formula aid under subdivision 8, (2) its city aid base, and (3) its formula aid under subdivision 8 in the previous year, prior to any adjustments under this subdivision.

(b) For aids payable in 2008, the total aid for any city shall not exceed the sum of (1) 25 percent of its net levy for the year prior to the aid distribution plus (2) its total aid in the previous year. ~~For aids payable in 2005 2009 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 2008 and thereafter, the total aid for any city with a population of 2,500 or more may not decrease from be less than its total aid under this section in the previous year by an amount greater than minus the lesser of (1) \$15 multiplied by its population, or (2) ten percent of its net levy in the year prior to the aid distribution.

(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 2008 only, the total aid for a city with a population less than 2,500 must not be less than the amount it would otherwise be certified to receive in 2008 if this act was not enacted. ~~For aids payable in 2005 2008 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 the lesser of (1) \$15 multiplied by its population, or (2) five percent of its 2003 certified aid amount.~~

(d) If a city's net tax capacity used in calculating aid under this section has decreased in any year by more than 25 percent from its net tax capacity in the previous year due to property becoming tax-exempt Indian land, the city's maximum allowed aid increase under paragraph (b) shall be increased by an amount equal to (1) the city's tax rate in the year of the aid calculation, multiplied by (2) the amount of its net tax capacity decrease resulting from the property becoming tax exempt.

**EFFECTIVE DATE.** This section is effective for aids payable in 2008 and thereafter.

Sec. 6. Minnesota Statutes 2006, section 477A.013, is amended by adding a subdivision to read:

Subd. 11. **Towns.** In 2008 and subsequent years, each town that levied a property tax in the previous year shall receive a distribution equal to \$3 multiplied by its population.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2008 and thereafter.

Sec. 7. Minnesota Statutes 2006, section 477A.03, is amended to read:

#### **477A.03 APPROPRIATION.**

Subd. 2. **Annual appropriation.** A sum sufficient to discharge the duties imposed by sections 477A.011 to 477A.014 is annually appropriated from the general fund to the commissioner of revenue.

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, the total aids paid under section 477A.013, subdivision 9, are limited to \$437,052,000. For aids payable in 2006 and thereafter 2008, the total aids paid under section 477A.013, subdivision 9, is limited to \$485,052,000 \$545,052,000. For aids payable in 2009 and thereafter, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 5.~~

Subd. 2b. **Counties.** (a) For aids payable in calendar year ~~2005 and thereafter 2008~~, the total aids paid to counties under section 477A.0124, subdivision 3, are limited to ~~\$100,500,000 \$112,500,000~~. For aids payable in 2009 and thereafter, the total aids paid under section 477A.0124, subdivision 3, are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 5. 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, the total aids under section 477A.0124, subdivision 4, are limited to \$105,000,000. For aids payable in 2006 and thereafter 2008, the total aid under section 477A.0124, subdivision 4, is limited to \$105,132,923 \$116,669,054. For aids payable in 2009 and thereafter, the total aids paid under section 477A.0124, subdivision 4, are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 5. 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.~~

Subd. 5. **Inflation adjustment.** (a) In 2009 and thereafter, the amount paid under subdivision 2a shall each be increased by an amount as provided in paragraphs (b) and (c).

(b) Unless the requirements of paragraph (c) are met, the increase shall be one percent above the amount certified to be paid under those subdivisions in the previous year.

(c) If the legislature adopts a new formula proposed by the study in section 13 that all city organizations representing at least 40 cities in the state support, the increase shall be equal to:

(1) the amount certified to be paid under that subdivision in the previous year, multiplied by

(2) one plus the percentage increase in the implicit price deflator for state and local government purchases of goods and services prepared by the Bureau of Economic Analysis of the United States Department of Commerce for the 12-month period ending March 31 of the previous year.

The increase under this provision in any year may not be less than 2.5 percent or greater than 5.0 percent.

(d) In 2009 to 2010, the amounts paid under subdivision 2b, paragraphs (a) and (b) shall be increased by the greater of (1) one percent over the amount paid in the previous year, or (2) the inflation amount applied to the city appropriation under this subdivision. In 2011 and thereafter, the increase shall be equal to:

(1) the amount certified to be paid under that subdivision in the previous year, multiplied by

(2) one plus the percentage increase in the implicit price deflator for state and local government purchases of goods and services prepared by the Bureau of Economic Analysis of the United States Department of Commerce for the 12-month period ending March 31 of the previous year.

The increase under this provision in any year may not be less than 2.5 percent or greater than 5.0 percent.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2008 and thereafter.

Sec. 8. Minnesota Statutes 2006, 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;

(3) ~~75 cents~~ \$3, as adjusted for inflation under section 477A.145, multiplied by the total number of acres of land utilization project land that is located entirely within a wildlife management area as described in section 86A.05, subdivision 8; and 75 cents, as adjusted for inflation under section 477A.145, multiplied by the total number of acres of land utilization project land not located within a wildlife management area; and

(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 payments in 2008 and thereafter.

Sec. 9. Minnesota Statutes 2006, 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, each acre of land utilization project land located entirely within a wildlife management area, 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 not located within a wildlife management area, 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 payments in 2008 and thereafter.

Sec. 10. **UTILITY PROPERTY; TAX BASE ADJUSTMENTS FOR CALCULATION OF SCHOOL DISTRICT AIDS AND LEVIES.**

For purposes of calculating school levies and aids for fiscal years 2009, 2010, and 2011 only, the commissioner of revenue shall compute the adjusted net tax capacity and referendum market value as if the tax base changes resulting from the amendments to Minnesota Rules, chapter 8100, including the phase-in provisions of Minnesota Rules, part 8100.0800, were effective one year earlier.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal years 2009, 2010, and 2011.

**Sec. 11. UTILITY PROPERTY; TAX BASE ADJUSTMENTS FOR CALCULATION OF COUNTY AND CITY AIDS.**

For purposes of calculating aid for cities under section 477A.013, and for counties under section 477A.0124, for payment in 2008, 2009, and 2010 only, the commissioner of revenue shall calculate the adjusted net tax capacity of cities and counties, as defined in sections 477A.011 and 477A.0124, as if the tax base changes resulting from the amendments to Minnesota Rules, chapter 8100, including the phase-in provisions of Minnesota Rules, part 8100.0800, were effective one year earlier.

**EFFECTIVE DATE.** This section is effective for aids payable in 2008, 2009, and 2010.

**Sec. 12. MAHNOMEN COUNTY; COUNTY PROPERTY TAX REIMBURSEMENT, CITY AND SCHOOL DISTRICT TAX BASE ADJUSTMENTS.**

Subdivision 1. Aid appropriation. \$250,000 is appropriated in fiscal year 2009 from the general fund to the commissioner of revenue to make a payment in calendar year 2008 to the county of Mahnomen to compensate for the loss of property tax revenue due to the pending placement of property, located in the city of Mahnomen, into trust status by the United States Department of the Interior, Bureau of Indian Affairs.

Subd. 2. School district and city tax base adjustments. (a) The commissioner of revenue must reduce the referendum market value and adjusted net tax capacity used to calculate school levies beginning with taxes payable in 2008 and subsequent years for Independent School District No. 432, Mahnomen, by the amounts attributable to the property that is pending placement into trust status by the United States Department of the Interior, Bureau of Indian Affairs. This adjustment shall be made for each assessment year that the property remains on the tax rolls.

(b) The commissioner of revenue must reduce the city net tax capacity used to calculate city aid under sections 477A.011 to 477A.03, beginning with aids payable in 2008 for the city of Mahnomen, by the amounts attributable to property that is pending placement into trust status by the United States Department of the Interior, Bureau of Indian Affairs. This adjustment shall be made for each assessment year that the property remains on the tax rolls.

**EFFECTIVE DATE.** This section is effective for aids and levies payable in 2008 and thereafter.

**Sec. 13. STUDY OF CITY LOCAL GOVERNMENT AID PROGRAM.**

The commissioner of revenue shall work with representatives of all major city organizations, representing at least 40 cities on this issue, to study the current local government aid formula for cities, along with alternatives proposed by the various interest groups, and provide a written report with recommendations to the legislature, in compliance with Minnesota Statutes, sections 3.195 and 3.197, by February 1, 2008. The study must list the alternatives considered and any recommended changes for which consensus has been reached. If there is no consensus on proposed changes, the commissioner shall report this. The commissioner shall allocate minimal staff time to the study, but must provide staff to organize and chair any meetings of the study group and provide modeling assistance for the final proposed changes.

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

ARTICLE 3

PROPERTY TAXES

Section 1. Minnesota Statutes 2006, section 97A.061, subdivision 2, is amended to read:

Subd. 2. **Allocation.** (a) Except as provided in subdivision 3, the county treasurer shall allocate the payment among the county, towns, and school districts on the same basis as if the payments were taxes on the land received in the year. Payment of a town's or a school district's allocation must be made by the county treasurer to the town or school district within 30 days of receipt of the payment to the county. The county's share of the payment shall be deposited in the county general revenue fund.

(b) The county treasurer of a county with a population over 39,000 but less than 42,000 in the 1950 federal census shall allocate the payment only among the towns and school districts on the same basis as if the payments were taxes on the lands received in the current year.

(c) If a town received a payment in calendar year 2006 or thereafter under this subdivision, and subsequently incorporated as a city, the city will continue to receive any future year's allocations that would have been made to the town had it not incorporated, provided the city does not pass ordinances prohibiting hunting.

**EFFECTIVE DATE.** This section is effective for aid payments made in 2007 and thereafter.

Sec. 2. Minnesota Statutes 2006, section 127A.48, subdivision 3, is amended to read:

Subd. 3. **Agricultural lands.** For purposes of determining the adjusted net tax capacity of agricultural lands for the calculation of adjusted net tax capacities, the market value of agricultural lands must be the price for which the property would sell in an arm's-length transaction. When agricultural land that is enrolled under section 273.111 is sold, and the purchaser changes its use in a manner that would result in a change of classification of the property, the assessment/sales ratio study under this subdivision must take into account that changed classification as soon as practicable. A change in status from homestead to nonhomestead or from nonhomestead to homestead is not a change in classification under this subdivision.

**EFFECTIVE DATE.** This section is effective for the first study prepared following the day following final enactment.

Sec. 3. Minnesota Statutes 2006, section 272.02, is amended by adding a subdivision to read:

Subd. 85. **Modular homes used as models by dealers.** (a) A modular home is exempt if it:

(1) is owned by a modular home dealer and is located on land owned or leased by that dealer;

(2) is a single-family model home;

(3) is not available for sale and is used exclusively as a model;

(4) is not permanently connected to any utilities except electricity; and

(5) is situated on a temporary foundation.

(b) The exemption under this subdivision is allowable for up to five assessment years after the date it becomes located on the property, provided that the modular home continues to meet all of the criteria under this subdivision each year. The owner of a modular model home must notify the county assessor within 60 days that it has been constructed or located on the property and must again notify the assessor if the modular home ceases to meet any of the criteria. If more than one modular home is constructed or situated on a property, the owner must notify the assessor within 60 days for each of the models placed on the property.

(c) For purposes of this subdivision, a "modular home" 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 as a single family dwelling. Construction of the modular home must comply with applicable standards adopted in Minnesota Rules authorized under Minnesota Statutes, chapter 16B. A modular home does not include a structure subject to the requirements of the National Manufactured Home Construction and Safety Standards Act of 1974 or prefabricated buildings, as defined in Minnesota Statutes, section 327.31, subdivision 6.

**EFFECTIVE DATE.** This section is effective for assessment year 2007 and thereafter, for taxes payable in 2008 and thereafter. The five-year assessment time period begins with the 2007 assessment for a modular model home currently situated provided it meets all of the criteria and the county assessor is notified within 90 days of the day following final enactment.

Sec. 4. Minnesota Statutes 2006, section 272.02, is amended by adding a subdivision to read:

**Subd. 86. 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 one mile of an existing 16-inch natural gas pipeline and a 69-kilovolt and a 230-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 bodies of the county and the city 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 January 1, 2008, and before January 1, 2012. 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 the day following final enactment.

Sec. 5. Minnesota Statutes 2006, section 272.02, is amended by adding a subdivision to read:

**Subd. 87. Apprenticeship training facilities.** Property used exclusively for a state-approved apprenticeship program through the Department of Labor and Industry and owned by a 501(c)(3) nonprofit corporation is exempt, provided the program participants receive no compensation.

**EFFECTIVE DATE.** This section is effective for assessment year 2007 and thereafter, for taxes payable in 2008 and thereafter.

Sec. 6. Minnesota Statutes 2006, section 272.115, subdivision 1, is amended to read:

Subdivision 1. **Requirement.** Except as otherwise provided in subdivision 5, whenever any real estate is sold for a consideration in excess of \$1,000, whether by warranty deed, quitclaim deed, contract for deed or any other method of sale, the grantor, grantee or the legal agent of either shall file a certificate of value with the county auditor in the county in which the property is located when the deed or other document is presented for recording. Contract for deeds are subject to recording under section 507.235, subdivision 1. Value shall, in the case of any deed not a gift, be the amount of the full actual consideration thereof, paid or to be paid, including the amount of any lien or liens assumed. The items and value of personal property transferred with the real property must be listed and deducted from the sale price. The certificate of value shall include the classification to which the property belongs for the purpose of determining the fair market value of the property, and shall include any proposed change in use of the property known to the person filing the certificate that could change the classification of the property. The certificate shall include financing terms and conditions of the sale which are necessary to determine the actual, present value of the sale price for purposes of the sales ratio study. The commissioner of revenue shall promulgate administrative rules specifying the financing terms and conditions which must be included on the certificate. Pursuant to the authority of the commissioner of revenue in section 270C.306, the certificate of value must include the Social Security number or the federal employer identification number of the grantors and grantees. The identification numbers of the grantors and grantees are private data on individuals or nonpublic data as defined in section 13.02, subdivisions 9 and 12, but, notwithstanding that section, the private or nonpublic data may be disclosed to the commissioner of revenue for purposes of tax administration. The information required to be shown on the certificate of value is limited to the information required as of the date of the acknowledgment on the deed or other document to be recorded.

**EFFECTIVE DATE.** This section is effective for the first assessment/sales ratio study prepared following the day following final enactment.

Sec. 7. Minnesota Statutes 2006, section 273.11, subdivision 1a, is amended to read:

Subd. 1a. **Limited market value.** In the case of all 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.

For assessment years ~~2004, 2005, and 2006~~ through 2008, 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 ~~2007~~ 2009, 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 ~~2008~~ 2010, 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 ~~2008~~ 2010 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 year 2007 and thereafter, for taxes payable in 2008 and thereafter.

Sec. 8. Minnesota Statutes 2006, section 273.11, is amended by adding a subdivision to read:

Subd. 16a. **Valuation exclusion for certain improvements.** (a) Improvements to homestead property made after January 2, 2008, shall be excluded from the value of the property for assessment purposes provided that (1) the house is at least 50 years old at the time of the improvement and (2) the assessor's estimated market value of the property on January 2 of the current year does not exceed \$400,000.

(b) The age of a residence is the number of years since the original year of its construction. In the case of an owner-occupied duplex or triplex, the improvement is eligible regardless of which portion of the property was improved.

(c) If the property lies in a jurisdiction that is subject to a building permit process, a building permit must have been issued prior to commencement of the improvement. The improvements for a single project or in any one year must add at least \$15,000 market value to the property to be eligible for exclusion under this subdivision. Only improvements to the structure which is the residence of the qualifying homesteader, or construction of or improvements to no more than one two-car garage per residence, qualify for the provisions of this subdivision. Whenever a building permit is issued for property currently classified as homestead, the issuing jurisdiction shall notify the property owner of the possibility of valuation exclusion under this subdivision. The assessor shall require an application, including documentation of the age of the house from the owner, if unknown by the assessor. The application may be filed subsequent to the date of the building permit provided that the application must be filed within two years of the date the building permit was issued for the improvement. If the property lies in a jurisdiction that is not subject to a building permit process, the application must be filed within two years of the date the improvement was made. The assessor may require proof from the taxpayer of the date the improvement was made. Applications must be received prior to July 1 of any year in order to be effective for taxes payable in the following year.

(d) In the case of a residence that is relocated, the relocation must be from a location within the state and the only improvements eligible for exclusion under this subdivision are (1) those for which building permits were issued to the homeowner after the residence was relocated to its present site, and (2) those undertaken during or after the year the residence is initially occupied by the homeowner, excluding any market value increase relating to basic improvements that are necessary to install the residence on its foundation and connect it to utilities at its present site.

(e) No exclusion for an improvement may be granted by a local board of review or county board of equalization, and no abatement of the taxes for qualifying improvements may be granted by the county board unless (1) a building permit was issued prior to the commencement of the improvement if the jurisdiction requires a building permit, and (2) an application was completed.

(f) The assessor shall note the qualifying value of each improvement on the property's record, and the sum of those amounts must be subtracted from the value of the property in each year for ten years after the improvement has been made. After ten years, the amount of the qualifying value shall be added back as follows:

(1) 50 percent in the two subsequent assessment years if the qualifying value is equal to or less than \$20,000 market value; or

(2) 33-1/3 percent in the three subsequent assessment years if the qualifying value is greater than \$20,000 market value.

(g) If an application is filed after the first assessment date at which an improvement could have been subject to the valuation exclusion under this subdivision, the ten-year period during which the value is subject to exclusion is reduced by the number of years that have elapsed since the property would have qualified initially. The valuation exclusion terminates whenever (1) the property is sold, or (2) the property is reclassified to a class that does not qualify for treatment under this subdivision. Improvements made by an occupant who is the purchaser of the property under a conditional purchase contract do not qualify under this subdivision unless the seller of the property is a governmental entity. The qualifying value of the property must be computed based upon the increase from that structure's market value as of January 2 preceding the acquisition of the property by the governmental entity.

(h) The total qualifying value for a homestead may not exceed \$75,000. The term "qualifying value" means the increase in estimated market value resulting from the improvement. The maximum qualifying value under this subdivision may result from no more than two separate improvements to the homestead.

(i) If 50 percent or more of the square footage of a structure is voluntarily razed or removed, the valuation increase attributable to any subsequent improvements to the remaining structure does not qualify for the exclusion under this subdivision. If a structure is unintentionally or accidentally destroyed by a natural disaster, the property is eligible for an exclusion under this subdivision provided that the structure was not completely destroyed. The qualifying value on property destroyed by a natural disaster must be computed based upon the increase from that structure's market value as determined on January 2 of the year in which the disaster occurred. A property receiving benefits under the homestead disaster provisions under section 273.123 is not disqualified from receiving an exclusion under this subdivision. If any combination of improvements made to a structure after January 2, 2008, increase the size of the structure by 100 percent or more, the valuation increase attributable to the portion of the improvement that causes the structure's size to exceed 100 percent does not qualify for exclusion under this subdivision.

**EFFECTIVE DATE.** This section is effective for improvements made after January 2, 2008.

Sec. 9. Minnesota Statutes 2006, section 273.111, is amended by adding a subdivision to read:

Subd. 16. **Applications; denied by county.** For applications filed for the 2007 and 2008 assessment years, 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. The assessor shall also provide the commissioner with a list of any property owners that requested an application and were denied, including names and addresses, and the reason for the denial. For the purpose of monitoring compliance with this section, the commissioner shall compile a report identifying all denied applications and requests for applications that were denied, the reason for the denial, and any commissioner action or recommendation. A report must be submitted to the chairs of the house and senate tax committees on or before February 1, 2008, and February 1, 2009, in compliance with Minnesota Statutes, sections 3.195 and 3.197.

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

Sec. 10. Minnesota Statutes 2006, 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;

(1) unintentionally or accidentally destroyed, or

(2) destroyed by arson or vandalism, by someone other than the owner,

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 destruction that occurs in calendar year 2006 and thereafter.

Sec. 11. Minnesota Statutes 2006, section 273.124, subdivision 1, is amended to read:

Subdivision 1. **General rule.** (a) Residential real estate that is occupied and used for the purposes of a homestead by its owner, who must be a Minnesota resident, is a residential homestead.

Agricultural land, as defined in section 273.13, subdivision 23, that is occupied and used as a homestead by its owner, who must be a Minnesota resident, is an agricultural homestead.

Dates for establishment of a homestead and homestead treatment provided to particular types of property are as provided in this section.

Property held by a trustee under a trust is eligible for homestead classification if the requirements under this chapter are satisfied.

The assessor shall require proof, as provided in subdivision 13, of the facts upon which classification as a homestead may be determined. Notwithstanding any other law, the assessor may at any time require a homestead application to be filed in order to verify that any property classified as a homestead continues to be eligible for homestead status. Notwithstanding any other law to the contrary, the Department of Revenue may, upon request from an assessor, verify whether an individual who is requesting or receiving homestead classification has filed a Minnesota income tax return as a resident for the most recent taxable year for which the information is available.

When there is a name change or a transfer of homestead property, the assessor may reclassify the property in the next assessment unless a homestead application is filed to verify that the property continues to qualify for homestead classification.

(b) For purposes of this section, homestead property shall include property which is used for purposes of the homestead but is separated from the homestead by a road, street, lot, waterway, or other similar intervening property. The term "used for purposes of the homestead" shall include but not be limited to uses for gardens, garages, or other outbuildings commonly associated with a homestead, but shall not include vacant land held primarily for future development. In order to receive homestead treatment for the noncontiguous property, the owner must use the property for the purposes of the homestead, and must apply to the assessor, both by the deadlines given in subdivision 9. After initial qualification for the homestead treatment, additional applications for subsequent years are not required.

(c) Residential real estate that is occupied and used for purposes of a homestead by a relative of the owner is a homestead but only to the extent of the homestead treatment that would be provided if the related owner occupied the property. For purposes of this paragraph and paragraph (g), "relative" means a parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece. This relationship may be by blood or marriage. 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 will not be reclassified as a homestead unless it is occupied as a homestead by the owner; this prohibition also applies to property that, in the absence of this paragraph, would have been classified as seasonal residential recreational property at the time when the residence was constructed. Neither the related occupant nor the owner of the property may claim a property tax refund under chapter 290A for a homestead occupied by a relative. In the case of a residence located on agricultural land, only the house, garage, and immediately surrounding one acre of land shall be classified as a homestead under this paragraph, except as provided in paragraph (d). In the case of nonagricultural property, this paragraph only applies to applications approved before July 1, 2007.

(d) Agricultural property that is occupied and used for purposes of a homestead by a relative of the owner, is a homestead, only to the extent of the homestead treatment that would be provided if the related owner occupied the property, and only if all of the following criteria are met:

(1) the relative who is occupying the agricultural property is a son, daughter, grandson, granddaughter, father, or mother of the owner of the agricultural property or a son, daughter, grandson, or granddaughter of the spouse of the owner of the agricultural property;

(2) the owner of the agricultural property must be a Minnesota resident;

(3) the owner of the agricultural property must not receive homestead treatment on any other agricultural property in Minnesota; and

(4) the owner of the agricultural property is limited to only one agricultural homestead per family under this paragraph.

Neither the related occupant nor the owner of the property may claim a property tax refund under chapter 290A for a homestead occupied by a relative qualifying under this paragraph. For purposes of this paragraph, "agricultural property" means the house, garage, other farm buildings and structures, and agricultural land.

Application must be made to the assessor by the owner of the agricultural property to receive homestead benefits under this paragraph. The assessor may require the necessary proof that the requirements under this paragraph have been met.

(e) In the case of property owned by a property owner who is married, the assessor must not deny homestead treatment in whole or in part if only one of the spouses occupies the property and the other spouse is absent due to: (1) marriage dissolution proceedings, (2) legal separation, (3) employment or self-employment in another location, or (4) other personal circumstances causing the spouses to live separately, not including an intent to obtain two homestead classifications for property tax purposes. To qualify under clause (3), the spouse's place of employment or self-employment must be at least 50 miles distant from the other spouse's place of employment, and the homesteads must be at least 50 miles distant from each other. Homestead treatment, in whole or in part, shall not be denied to the owner's spouse who previously occupied the residence with the owner if the absence of the owner is due to one of the exceptions provided in this paragraph.

(f) The assessor must not deny homestead treatment in whole or in part if:

(1) in the case of a property owner who is not married, the owner is absent due to residence in a nursing home, boarding care facility, or an elderly assisted living facility property as defined in section 273.13, subdivision 25a, and the property is not otherwise occupied; or

(2) in the case of a property owner who is married, the owner or the owner's spouse or both are absent due to residence in a nursing home, boarding care facility, or an elderly assisted living facility property as defined in section 273.13, subdivision 25a, and the property is not occupied or is occupied only by the owner's spouse.

(g) If an individual is purchasing property with the intent of claiming it as a homestead and is required by the terms of the financing agreement to have a relative shown on the deed as a co-owner, the assessor shall allow a full homestead classification. This provision only applies to first-time purchasers, whether married or single, or to a person who had previously been married and is purchasing as a single individual for the first time. The application for homestead benefits must be on a form prescribed by the commissioner and must contain the data necessary for the assessor to determine if full homestead benefits are warranted.

(h) If residential or agricultural real estate is occupied and used for purposes of a homestead by a child of a deceased owner and the property is subject to jurisdiction of probate court, the child shall receive relative homestead classification under paragraph (c) or (d) to the same extent they would be entitled to it if the owner was still living, until the probate is completed. For purposes of this paragraph, "child" includes a relationship by blood or by marriage.

(i) If a single-family home, duplex, or triplex classified as either residential homestead or agricultural homestead is also used to provide licensed child care, the portion of the property used for licensed child care must be classified as a part of the homestead property.

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

Sec. 12. Minnesota Statutes 2006, section 273.124, subdivision 14, is amended to read:

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

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

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

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

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

Homesteads initially classified as class 2a under the provisions of this paragraph shall remain classified as class 2a, irrespective of subsequent changes in the use of adjoining properties, as long as the homestead remains under the same ownership, the owner owns a noncontiguous parcel of agricultural land that is at least 20 acres, and the agricultural use value qualifies under clause (4). Homestead classification under this paragraph is limited to property that qualified under this paragraph for the 1998 assessment.

(b)(i) Agricultural property ~~consisting of at least 40 acres~~ shall be classified as the owner's homestead, to the same extent as other agricultural homestead property, if all of the following criteria are met:

(1) the property consists of at least 40 acres including undivided government lots and correctional 40's, or at least 20 acres if used exclusively and intensively for raising or cultivating agricultural products as defined under section 273.13, subdivision 23, paragraph (e);

~~(1) (2)~~ the owner, the owner's spouse, the son or daughter of the owner or owner's spouse, or the grandson or granddaughter of the owner or the owner's spouse, is actively farming the agricultural property, either on the person's own behalf as an individual or on behalf of a partnership operating a family farm, family farm corporation, joint family farm venture, or limited liability company of which the person is a partner, shareholder, or member;

~~(2) (3)~~ both the owner of the agricultural property and the person who is actively farming the agricultural property under clause ~~(1) (2)~~, are Minnesota residents;

~~(3) (4)~~ neither the owner nor the spouse of the owner claims another agricultural homestead in Minnesota; and

~~(4) neither (5) the owner nor and the person actively farming the property lives farther than four townships or cities, or a combination of four townships or cities, from the agricultural property must live either in the county where the agricultural property is located or in a county contiguous to the county where the agricultural property is located, except that if the owner or the owner's spouse is required to live in employer-provided housing, the owner or owner's spouse, whichever is actively farming the agricultural property, may live more than four townships or cities, or combination of four townships or cities further from the agricultural property than in the county or county contiguous to the property.~~

The relationship under this paragraph may be either by blood or marriage.

(ii) Real property held by a trustee under a trust is eligible for agricultural homestead classification under this paragraph if the qualifications in clause (i) are met, except that "owner" means the grantor of the trust.

(iii) Property containing the residence of an owner who owns qualified property under clause (i) shall be classified as part of the owner's agricultural homestead, if that property is also used for noncommercial storage or drying of agricultural crops.

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

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

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

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

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

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

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

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

(f) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 1998 assessment shall remain classified agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of damage caused by a March 29, 1998, tornado;

(2) the property is located in the county of Blue Earth, Brown, Cottonwood, LeSueur, Nicollet, Nobles, or Rice;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1998 assessment year;

(4) the dwelling occupied by the owner is located in this state and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to a March 29, 1998, tornado, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in homestead dwelling. For taxes payable in 1999, the owner must notify the assessor by December 1, 1998. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(g) Agricultural property ~~consisting of at least 40 acres~~ of a family farm corporation, joint family farm venture, family farm limited liability company, or partnership operating a family farm as described under subdivision 8 shall be classified homestead, to the same extent as other agricultural homestead property, if all of the following criteria are met:

(1) the property consists of at least 40 acres including undivided government lots and correctional 40's, or at least 20 acres if used exclusively and intensively for raising or cultivating agricultural products as defined under section 273.13, subdivision 23, paragraph (e);

~~(1)~~ (2) a shareholder, member, or partner of that entity is actively farming the agricultural property;

~~(2)~~ (3) that shareholder, member, or partner who is actively farming the agricultural property is a Minnesota resident;

~~(3)~~ (4) neither that shareholder, member, or partner, nor the spouse of that shareholder, member, or partner claims another agricultural homestead in Minnesota; and

~~(4)~~ (5) that shareholder, member, or partner ~~does not live farther than four townships or cities, or a combination of four townships or cities, from the agricultural property~~ lives in the county where the agricultural property is located or in a county contiguous to the county where the property is located.

Homestead treatment applies under this paragraph for property leased to a family farm corporation, joint farm venture, limited liability company, or partnership operating a family farm if legal title to the property is in the name of an individual who is a member, shareholder, or partner in the entity.

(h) To be eligible for the special agricultural homestead under this subdivision, an initial full application must be submitted to the county assessor where the property is located. Owners and the persons who are actively farming the property shall be required to complete only a one-page abbreviated version of the application in each subsequent year provided that none of the following items have changed since the initial application:

(1) the day-to-day operation, administration, and financial risks remain the same;

(2) the owners and the persons actively farming the property continue to live within ~~the four townships or city criteria~~ the county or a contiguous county and are Minnesota residents;

(3) the same operator of the agricultural property is listed with the Farm Service Agency;

(4) a Schedule F or equivalent income tax form was filed for the most recent year;

(5) the property's acreage is unchanged; and

(6) none of the property's acres have been enrolled in a federal or state farm program since the initial application.

The owners and any persons who are actively farming the property must include the appropriate Social Security numbers, and sign and date the application. If any of the specified information has changed since the full application was filed, the owner must notify the assessor, and must complete a new application to determine if the property continues to qualify for the special agricultural homestead. The commissioner of revenue shall prepare a standard reapplication form for use by the assessors.

**EFFECTIVE DATE.** The portion of this section relating to the 40 acres requirement is effective for assessment year 2007, taxes payable in 2008 and thereafter. The remaining portion relating to contiguous counties is effective for assessment year 2008 and thereafter, taxes payable in 2009 and thereafter.



Sec. 13. Minnesota Statutes 2006, 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 but is not the homestead of the park owner;

(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~~ \$1,000. 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.** This section is effective for assessment year 2007 and thereafter, for taxes payable in 2008 and thereafter.

Sec. 14. Minnesota Statutes 2006, section 273.128, subdivision 1, is amended to read:

Subdivision 1. **Requirement Requirements.** ~~Low income rental property. In order to be~~ classified as class 4d low-income rental housing under section 273.13, subdivision 25, is entitled to valuation under this section if the property must meet the requirements of subdivision 4, if applicable, and at least 75 20 percent of the units in the rental housing property must 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;

(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; or

(4) the units are subject to rent and income restrictions under the terms of financial assistance provided to the rental housing property by the federal government or the state of Minnesota, or a local unit of government, as evidenced by a document recorded against the property.

The restrictions must require assisted units to be occupied by residents whose household income at the time of initial occupancy does not exceed 60 percent of the greater of area or state median income, adjusted for family size, as determined by the United States Department of Housing and Urban Development. The restriction must also require the rents for assisted units to not exceed 30 percent of 60 percent of the greater of area or state median income, adjusted for family size, as determined by the United States Department of Housing and Urban Development.

**EFFECTIVE DATE.** This section is effective for property taxes levied in 2007, payable in 2008, and thereafter.

Sec. 15. Minnesota Statutes 2006, section 273.128, is amended by adding a subdivision to read:

Subd. 4. **Participation in crime-free multihousing program.** (a) In addition to the requirements in subdivision 1, if the property qualifies under paragraph (b), the owners or managers must complete the three phases of the city's or county's crime-free multihousing program and the qualifying property must be annually certified by the police or sheriff as participating in the program. If a qualifying property is not certified within one year after it is first determined to be a qualifying property under paragraph (b), or does not annually maintain its certification in the program, the city or county shall notify the property owner that the qualifying property must comply with the requirements of this subdivision to maintain its classification as class 4d property. If a qualifying property is not in compliance within one year after receiving the notice from the city or county, the city or county shall issue a second notice and require the owners to enter into a plan to achieve compliance within one year. If, upon expiration of the one-year time period, the qualifying property has not been certified by the police or sheriff as completing the program, the city or county shall notify the commissioner of the Housing Finance Agency and the commissioner

shall remove the property from the list of class 4d properties certified to the county or city assessor under subdivision 3. Once removed from the list, the property is not eligible for class 4d classification until it complies with this subdivision and its compliance has been certified to the Housing Finance Agency by the city or county. Certification to the Housing Finance Agency must be made by May 15 to be effective for taxes payable in the following year.

(b) A property is a qualifying property for purposes of this subdivision's requirements if it satisfies each of the following requirements:

(1) the property is located in a city or county that offers a crime-free multihousing program through its city police or county sheriff;

(2) over the preceding three-year period, the number of police or sheriff calls to the property exceeded the city's or county's average number of calls for multiunit rental properties for the period by at least 25 percent, adjusted for the number of rental units;

(3) the police or sheriff department has requested, in writing, the owners or managers of the property to enroll in the crime-free multihousing program and the owners or managers refused or failed to enroll within 60 days after the request, or failed to complete phases one and three within 90 days and all three phases of the program within a one-year time period; and

(4) the governing body of the city or county, by resolution, determines the property is a qualifying property under clauses (1) to (3).

(c) Calls for police or emergency assistance in response to domestic abuse or medical assistance shall not be counted toward the number of calls in paragraph (b), clause (2). For purposes of this subdivision, "domestic abuse" has the meaning given in section 518B.01, subdivision 2.

(d) Low-income qualifying rental housing property classified as class 4d property for taxes payable in 2007 must meet the requirements of this section by May 15, 2010.

**EFFECTIVE DATE.** This section is effective for property taxes levied in 2007, payable in 2008, and thereafter.

Sec. 16. Minnesota Statutes 2006, 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 and personal property that abuts a lakeshore line public water as defined in section 103G.005, subdivision 15, 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. Class 1c property must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. Class 1c property must provide recreational activities such as the rental of ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina services, launch services, or guide services; or sell bait and fishing tackle. Any unit in which the right to use the property is transferred to an individual or entity by deeded interest, or the sale of shares or stock, no longer qualifies for class 1c even though it may remain available for rent. A camping pad offered for rent by a property that otherwise qualifies for class 1c is also class 1c, regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. The portion of the property used as a homestead is class 1a property under paragraph (a). The remainder of the property is classified as follows: the first ~~\$500,000~~ \$600,000 of market value is tier I, the next \$1,700,000 of market value is tier II, and any remaining market value is tier III. The class rates for class 1c are: tier I, ~~0.55~~ 0.50 percent; tier II, 1.0 percent; and tier III, 1.25 percent. ~~If a class 1c resort property has any market value in tier III, the entire property must meet the requirements of subdivision 25, paragraph (d), clause (1), to qualify for class 1c treatment under this paragraph. Owners of real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes in which all or a portion of the property was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 1c, 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 must be designated as class 1c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located must be designated as class 3a commercial. The owner of property desiring designation as class 1c property must provide guest registers or other records demonstrating that the units for which class 1c 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, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 1c.

(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.** The portion of this section increasing the market value of the first tier of class 1c resorts and striking the language relating to class 1b veterans' homesteads is effective for taxes payable in 2008 and thereafter. The remaining portion of this section relating to class 1c resorts is effective for taxes payable in 2009 and thereafter.

Sec. 17. Minnesota Statutes 2006, section 273.13, subdivision 23, is amended to read:

Subd. 23. **Class 2.** (a) Class 2a property is agricultural land including any improvements that is homesteaded. The market value of the house and garage and immediately surrounding one acre of land has the same class rates as class 1a property under subdivision 22. The value of the remaining land including improvements up to the first tier valuation limit of agricultural homestead property has a net class rate of ~~0.55~~ 0.50 percent of market value. The remaining property over the first tier has a class rate of one percent of market value. For purposes of this subdivision, the "first tier valuation limit of agricultural homestead property" and "first tier" means the limit certified under section 273.11, subdivision 23.

(b) Class 2b property is (1) unplatted real estate, rural in character ~~and used exclusively for growing trees for timber, lumber, and wood and wood products;~~ (2) real estate, that is not improved with a structure ~~and is used exclusively for growing trees for timber, lumber, and wood and wood products, if the owner has participated or is participating in a cost sharing program for afforestation, reforestation, or timber stand improvement on that particular property, administered or coordinated by the commissioner of natural resources;~~ (3), and that consists of at least ten acres, including land used for growing trees for timber, lumber, and wood products, but not including land used for agricultural purposes, provided that the presence of a structure, other than a minor, ancillary nonresidential structure, does not disqualify property from the classification under this clause; (2) real estate that is nonhomestead agricultural land; or (4) (3) a landing area or public access area of a privately owned public use airport. Class 2b property has a net class rate of one percent of market value.

(c) Agricultural land as used in this section means contiguous acreage of ten acres or more, used during the preceding year for agricultural purposes. "Agricultural purposes" as used in this section means the raising or cultivation of agricultural products. "Agricultural purposes" also includes enrollment in the Reinvest in Minnesota program under sections 103F.501 to 103F.535 or the federal Conservation Reserve Program as contained in Public Law 99-198 if the property was classified as agricultural (i) under this subdivision for the assessment year 2002 or (ii) in the year prior to its enrollment. Contiguous acreage on the same parcel, or contiguous acreage on an immediately adjacent parcel under the same ownership, may also qualify as agricultural land, but only if it is pasture, timber, waste, unusable wild land, or land included in state or federal farm programs. Agricultural classification for property shall be determined excluding the house, garage, and immediately surrounding one acre of land, and shall not be based upon the market value of any residential structures on the parcel or contiguous parcels under the same ownership.

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

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

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

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

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

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

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

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

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

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

(6) insects primarily bred to be used as food for animals;

(7) trees, grown for sale as a crop, and not sold for timber, lumber, wood, or wood products; and

(8) maple syrup taken from trees grown by a person licensed by the Minnesota Department of Agriculture under chapter 28A as a food processor.

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

(1) wholesale and retail sales;

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

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

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

(g) To qualify for classification under paragraph (b), clause ~~(4)~~ (3), a privately owned public use airport must be licensed as a public airport under section 360.018. For purposes of paragraph (b), clause ~~(4)~~ (3), "landing area" means that part of a privately owned public use airport properly cleared, regularly maintained, and made available to the public for use by aircraft and includes runways, taxiways, aprons, and sites upon which are situated landing or navigational aids. A landing area also includes land underlying both the primary surface and the approach surfaces that comply with all of the following:

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

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

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

The land contained in a landing area under paragraph (b), clause ~~(4)~~ (3), must be described and certified by the commissioner of transportation. The certification is effective until it is modified, or until the airport or landing area no longer meets the requirements of paragraph (b), clause ~~(4)~~ (3). For purposes of paragraph (b), clause ~~(4)~~ (3), "public access area" means property used as an aircraft parking ramp, apron, or storage hangar, or an arrival and departure building in connection with the airport.

**EFFECTIVE DATE.** This section is effective for assessment year 2007 and thereafter, for taxes payable in 2008 and thereafter.

Sec. 18. Minnesota Statutes 2006, section 273.13, subdivision 24, is amended to read:

Subd. 24. **Class 3.** (a) Commercial and industrial property and utility real and personal property is class 3a.

(1) Except as otherwise provided, each parcel of commercial, industrial, or utility real property has a class rate of 1.5 percent of the first tier of market value, and 2.0 percent of the remaining market value. In the case of contiguous parcels of property owned by the same person or entity, only the value equal to the first-tier value of the contiguous parcels qualifies for the reduced class rate, except that contiguous parcels owned by the same person or entity shall be eligible for the first-tier value class rate on each separate business operated by the owner of the property,

provided the business is housed in a separate structure. For the purposes of this subdivision, the first tier means the first \$150,000 of market value. Real property owned in fee by a utility for transmission line right-of-way shall be classified at the class rate for the higher tier.

For purposes of this subdivision, parcels are considered to be contiguous even if they are separated from each other by a road, street, waterway, or other similar intervening type of property. Connections between parcels that consist of power lines or pipelines do not cause the parcels to be contiguous. Property owners who have contiguous parcels of property that constitute separate businesses that may qualify for the first-tier class rate shall notify the assessor by July 1, for treatment beginning in the following taxes payable year.

(2) ~~All~~ Personal property that is: ~~(i) part of an electric generation, transmission, or distribution system; or (ii), including tools, implements, and machinery, has a class rate of 3.0 percent.~~

(3) Personal property that is either: (i) part of a pipeline system transporting or distributing water, gas, crude oil, or petroleum products; and (ii) not described in clause (3), and all, including tools, implements, and machinery, or (ii) part of an electric transmission or distribution system, including tools, implements, and machinery, has a class rate of 2.25 percent.

(4) Railroad operating property has a class rate as provided under clause (1) for the first tier of market value and the remaining market value. In the case of multiple parcels in one county that are owned by one person or entity, only one first tier amount is eligible for the reduced rate.

~~(3) The entire market value of personal property that is: (i) tools, implements, and machinery of an electric generation, transmission, or distribution system; (ii) tools, implements, and machinery of a pipeline system transporting or distributing water, gas, crude oil, or petroleum products; or (iii) the (5) Personal property consisting of mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings, has a class rate as provided under clause (1) for the remaining market value in excess of the first tier.~~

(b) Employment property defined in section 469.166, during the period provided in section 469.170, shall constitute class 3b. The class rates for class 3b property are determined under paragraph (a).

**EFFECTIVE DATE.** This section is effective for taxes levied in 2007, payable in 2008, and thereafter.

Sec. 19. Minnesota Statutes 2006, 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 1.25 percent.

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

The market value of class 4b property has a class rate of 1.25 percent.

(c) Class 4bb includes:

(1) nonhomestead residential real estate containing ~~one unit~~ fewer than four units, 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), containing fewer than four units; and

(3) manufactured homes not classified under any other provision.

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), or subdivision 23, paragraph (b), clause (1), real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes, including real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes and not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property is used for residential occupancy, and a fee is charged for residential occupancy. Class 4c property must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. Class 4c property must provide recreational activities such as renting ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina services, launch services, or guide services; or sell bait and fishing tackle. A camping pad offered for rent by a property that otherwise qualifies for class 4c is also class 4c regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. 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. Owners of real and personal 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 ~~1e- 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~~ must be designated class ~~1e- 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 ~~1e- or~~ 4c property must provide guest registers or other records demonstrating that the units for which class ~~1e- 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, (4) conference center or meeting room, and ~~(4)~~ (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes ~~shall~~ does not qualify for class ~~4e 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~~ three acres of land owned and used by a nonprofit community service oriented organization; ~~provided that~~ and that is not used for residential purposes on either a temporary or permanent basis, qualifies for class 4c provided that it meets either of the following:

(i) 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; or~~

(ii) the organization makes annual charitable contributions and donations at least equal to the property's previous year's property taxes and the property is allowed to be used for public and community meetings or events for no charge, as appropriate to the size of the facility.

For purposes of this clause,

(A) "charitable contributions and donations" has the same meaning as lawful gambling purposes under section 349.12, subdivision 25, excluding those purposes relating to the payment of taxes, assessments, fees, auditing costs, and utility payments;

(B) "property taxes" excludes the state general tax;

(C) 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; and~~

(D) "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 qualifying under item (i) 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.

The organization shall maintain records of its charitable contributions and donations and of public meetings and events held on the property and make them available upon request any time to the assessor to ensure eligibility. An organization meeting the requirement under item (ii) must file an application by May 1 with the assessor for eligibility for the current year's assessment. The commissioner shall prescribe a uniform application form and instructions;

(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;

(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, 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 (9) 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 273.128, subdivision 3. If only a portion of the units in the building qualify as low-income rental housing units as certified under section 273.128, 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 0.75 percent.

**EFFECTIVE DATE.** The portion of this section relating to class 4c resorts in paragraph (d), clause (1), is effective for assessment year 2008 and thereafter, for taxes payable in 2009 and thereafter. The portion of this section relating to nonprofit community service oriented organizations is effective for assessment year 2007 and thereafter, for taxes payable in 2008 and thereafter, except that the application date in paragraph (d), clause (3), item (ii), for the 2007 assessment is extended to September 1, 2007.

Sec. 20. Minnesota Statutes 2006, section 273.13, subdivision 33, is amended to read:

Subd. 33. **Classification of unimproved property.** (a) All real property that is not improved with a structure must be classified according to its current use.

(b) Except as provided in subdivision 23, paragraph (b), clause (1), real property that is not improved with a structure and for which there is no identifiable current use must be classified according to its highest and best use permitted under the local zoning ordinance. If the ordinance permits more than one use, the land must be classified according to the highest and best use permitted under the ordinance. If no such ordinance exists, the assessor shall consider the most likely potential use of the unimproved land based upon the use made of surrounding land or land in proximity to the unimproved land.

**EFFECTIVE DATE.** This section is effective for assessment year 2007 and thereafter, for taxes payable in 2008 and thereafter.

Sec. 21. Minnesota Statutes 2006, section 273.13, is amended by adding a subdivision to read:

Subd. 34. **Homestead of disabled veteran.** (a) All or a portion of the 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 service-connected disability of 50 percent or more. 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 service-connected disability.

(b)(1) For a disability rating of at least 50 percent but less than 70 percent, \$100,000 of market value is excluded;

(2) for a disability rating of 70 percent or more, \$150,000 of market value is excluded, except as provided in clause (3); and

(3) for a total (100 percent) and permanent disability, \$300,000 of market value is excluded.

(c) If a disabled veteran qualifying for a valuation exclusion under paragraph (b), clause (3), 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 sells, transfers, or otherwise disposes of the property.

(d) 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.

(e) A property qualifying for a valuation exclusion under this subdivision is not eligible for the credit under section 273.1384, subdivision 1.

(f) To qualify for a valuation exclusion under this subdivision a property owner must apply to the assessor by July 1 of each assessment year, except that an annual reapplication is not required once a property has been accepted for a valuation exclusion under paragraph (b), clause (3), and the property continues to qualify until there is a change in ownership.

**EFFECTIVE DATE.** This section is effective for assessment year 2007 and thereafter, for taxes payable in 2008 and thereafter.

Sec. 22. Minnesota Statutes 2006, section 275.065, is amended by adding a subdivision to read:

**Subd. 3b. Supplemental notice of proposed levy increases.** (a) If a city that has a population of more than 2,500 or a county proposes a levy increase greater than the threshold increase calculated under paragraph (b), it shall prepare and deliver by first class mail a supplemental proposed property tax notice to each property taxpayer in the taxing jurisdiction, as described in this subdivision.

(b) The threshold increase in the proposed property tax levy is equal to the levy in the previous year, multiplied by the sum of (1) one percent, (2) the percentage growth, if any, in the population in the taxing jurisdiction for the most recent available year, (3) the percentage increase in the total market value in the taxing jurisdiction due to new construction of commercial and industrial property, and (4) the percentage increase in the 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 recent 12-month period ending March of the levy year.

(c) The supplemental proposed notice must show the taxing jurisdiction's (1) levy for the previous year, (2) its threshold levy increase indicating that this increase is calculated to reflect reasonable growth adjusting for population increases, increased demand from new business, and inflation, (3) the proposed property tax increase, and (4) the amount the proposed increase exceeds the threshold increase. The notice must contain a description of why the jurisdiction needs to raise property taxes above the threshold amount and how the taxing jurisdiction plans to spend the additional revenue.

**EFFECTIVE DATE.** This section is effective for taxes levied in calendar year 2007 and thereafter.

Sec. 23. Minnesota Statutes 2006, section 275.065, is amended by adding a subdivision to read:

**Subd. 6c. Joint public hearing; nonmetropolitan county, cities, and school districts.** (a) Notwithstanding any other provision of law, the county board may hold a joint hearing with the governing bodies of all taxing authorities located wholly or partially within the county that are required to hold a public hearing under this section,

excluding special taxing districts. The primary purpose of the joint hearing is for taxpayer efficiency by allowing taxpayers to come to a single public hearing to discuss the budgets and proposed property tax levies of most taxing authorities that impact the taxes on their property.

(b) This subdivision applies only to counties located outside the metropolitan area as defined under section 473.121, subdivision 2. If a city or school district is located partially within the metropolitan area, that taxing jurisdiction may participate in its nonmetropolitan county's joint hearing, if it so chooses.

(c) Upon the adoption of a resolution by the county board to hold a joint public hearing, the county shall notify each city with a population over 500 and each school district located wholly or partially within the county of its intention to hold the joint hearing and ask each of the taxing authorities if it would like to participate. Participation is voluntary, and participation in the joint hearing is in lieu of the requirement for the governing body to hold a separate public hearing under subdivision 6. If a participating city or school district is located in more than one county, the hearing under this subdivision is in lieu of the requirement to hold a separate public hearing if 75 percent or more of that city or school district's previous year's net tax capacity is in the county where the hearing is held.

(d) The initial joint hearing must be held on the first Thursday in December. The county may hold an additional joint hearing on another date before December 20 if the majority of the participating taxing authorities want an additional hearing.

The county board shall obtain a meeting space to hold the joint hearing, preferably at a public building such as the courthouse, school, or community center. The location shall be as centrally located within the county as possible. The meeting shall generally be structured in the following general manner:

(1) 30 to 60 minutes must be devoted to discussion of the county's budget and levy;

(2) 30 to 60 minutes must be devoted to discussion of the city's budget and levy, with each city's discussion held in a separate room, preferably in the same building;

(3) 30 to 60 minutes must be devoted to discussion of the school district's levy, with each school district's discussion held in a separate room, preferably in the same building; and

(4) during the last 30 minutes the governing bodies must reassemble in a joint meeting to entertain any follow-up questions that have arisen from the separate discussions.

The county shall attempt to keep the total public hearing to within three hours.

(e) In lieu of the public advertisement requirement in subdivision 5a, the county shall have a single advertisement listing the county, each city with a population of over 500, and each school district participating in the joint public hearing listing. Any taxing authority participating under this subdivision is exempt from the separate public advertisement requirement under subdivision 5a. The cost of the joint hearing advertisement shall be apportioned in the same manner provided in subdivision 4. The notice must be published not less than two business days nor more than six business days before the hearing. The newspaper selected must be one of general interest and readership in the county, and not one of limited subject matter. The advertisement must appear in a newspaper that is published at least once per week. The advertisement must be in the following form:

"NOTICE OF JOINT PUBLIC HEARING  
PROPOSED TOTAL PROPERTY TAXES  
FOR PARTICIPATING TAXING AUTHORITIES

The property tax amounts below compare that portion of the current budget levied in property taxes in the county, cities, and school districts for (year) with the property taxes the county, cities, and school districts propose to collect in (year) for those taxing authorities participating in the joint public hearing.

<u>Taxing Authority</u>	<u>(Year) Property Taxes</u>	<u>Proposed (Year) Property Taxes</u>	<u>Change (Year) - (Year)</u>
<u>\$.....</u>	<u>\$.....</u>	<u>\$.....</u>	<u>...%</u>
<u>\$.....</u>	<u>\$.....</u>	<u>\$.....</u>	<u>...%</u>
<u>\$.....</u>	<u>\$.....</u>	<u>\$.....</u>	<u>...%</u>

ATTEND THE JOINT PUBLIC HEARING

All residents are invited to attend the joint public hearing of the county/cities/school districts to express your opinions on the proposed amount of (year) property taxes. The hearing will be held on:

(Month/Day/Year/Time)

(Location/Address)

If the discussion cannot be completed, and another hearing is scheduled, a time and place for that hearing will be announced at this hearing. You are also invited to send your written comments to the county auditor. If the comments relate to the city or school district's levy, please identify that on the envelope so the county auditor can direct the correspondence to the right jurisdiction."

The formal adoption of the taxing authority's levy must not be made at the joint public hearing held under this subdivision. The formal adoption must be made at one of the regularly scheduled meetings of the taxing authority's governing body. However, the property tax levy amount that is subsequently adopted cannot exceed the amount shown to taxpayers at the joint public hearing.

**EFFECTIVE DATE.** This section is effective for hearings held in 2007 and thereafter.

Sec. 24. Minnesota Statutes 2006, section 278.05, subdivision 6, is amended to read:

Subd. 6. **Dismissal of petition; exclusion of certain evidence.** (a) In cases where the petitioner contests the valuation of income-producing property, information, including income and expense figures in the form of (1) year-end financial statements for the year prior to the assessment date, (2) year-end financial statements for the year of the assessment date, and (3) rent rolls on the assessment date including tenant name, lease start and end dates, option terms, base rent, square footage leased and vacant space, verified net rentable areas in the form of net rentable square footage of the building or buildings, and anticipated income and expenses in the form of proposed budgets for the year subsequent to the year of the assessment date, for income-producing property must be provided to the county assessor no later than 60 days after the applicable filing deadline contained in section 278.01, subdivision 1 or 4. Failure to provide the information required in this paragraph shall result in the dismissal of the petition, unless (1) the failure to provide it was due to the unavailability of the evidence at the time that the information was due, or (2) the petitioner was not aware of or informed of the requirement to provide the information.

If the petitioner proves that the requirements under clause (2) are met, the petitioner has an additional 30 days to provide the information from the time the petitioner became aware of or was informed of the requirement to provide the information, otherwise the petition shall be dismissed.

(b) Provided that the information as contained in paragraph (a) is timely submitted to the county assessor, the county assessor shall furnish the petitioner at least five days before the hearing under this chapter with the property's appraisal, if any, which will be presented to the court at the hearing. The petitioner shall furnish to the county assessor at least five days before the hearing under this chapter with the property's appraisal, if any, which will be presented to the court at the hearing. An appraisal of the petitioner's property done by or for the county shall not be admissible as evidence if the county assessor does not comply with the provisions in this paragraph. The petition shall be dismissed if the petitioner does not comply with the provisions in this paragraph.

**EFFECTIVE DATE.** This section is effective for petitions filed on or after July 1, 2007.

Sec. 25. Minnesota Statutes 2006, section 279.01, is amended by adding a subdivision to read:

Subd. 5. **Homestead property; monthly payment option.** (a) In the case of class 1, 1c, or 2a homestead property as defined in section 273.13, a homeowner may apply to make payments in eight equal monthly installments on the 15th day of each month from May through December. A homeowner desiring to utilize this option must apply to the county by April 15 of the year that the taxes are payable, following procedures established by the county.

(b) Each county must establish procedures allowing homeowners the option of paying the current year's property taxes on a monthly basis. The procedures must address how homeowners apply to participate in the program, how taxpayers can make payments, including the possibility of automatic bank withdrawals, how and whether the taxpayer is notified of each payment due date, whether to require annual applications, how to modify the property tax settlement process, and any other procedures the county board deems necessary to implement this subdivision. The proposed procedures must be submitted to the commissioner of revenue by November 1, 2007. The commissioner must review the procedures and approve them or notify the county of changes that must be made to the proposed procedures by January 1, 2008.

(c) The application procedure must be included in the property tax statement mailing.

(d) Penalties on unpaid taxes on property under the monthly payment program must be computed by equating the number of days that any of the monthly payments are overdue to the penalty for the corresponding number of days after May 15 that a payment is overdue under subdivision 1.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2008 and thereafter.

Sec. 26. Minnesota Statutes 2006, section 279.37, subdivision 1a, is amended to read:

Subd. 1a. **Class 3a property.** (a) The delinquent taxes upon a parcel of property which was classified class 3a, for the previous year's assessment and had a total market value of ~~\$200,000~~ \$500,000 or less for that same assessment shall be eligible to be composed into a confession of judgment. Property qualifying under this subdivision shall be subject to the same provisions as provided in this section except as provided in paragraphs (b) to (d).

(b) Current year taxes and penalty due at the time the confession of judgment is entered must be paid.



(c) The down payment must include all special assessments due in the current tax year, all delinquent special assessments, and 20 percent of the ad valorem tax, penalties, and interest accrued against the parcel. The balance remaining is payable in four equal annual installments.

(d) The amounts entered in judgment bear interest at the rate provided in section 279.03, subdivision 1a, commencing with the date the judgment is entered. The interest rate is subject to change each year on the unpaid balance in the manner provided in section 279.03, subdivision 1a.

**EFFECTIVE DATE.** This section is effective for confessions of judgment entered into July 1, 2007, and thereafter.

Sec. 27. Minnesota Statutes 2006, section 280.39, is amended to read:

**280.39 DELINQUENT TAXES MAY BE PAID IN INVERSE ORDER.**

In any case where taxes for two or more years are delinquent against a parcel of land, such taxes for one or more ~~entire~~ years, if held by the state, may be paid in the inverse order to that in which the taxes were levied, with accrued penalties, interest, and costs upon the taxes so paid, without payment of the taxes for the first of such years; provided, that such payment shall not affect the lien of any unpaid taxes or tax judgment.

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

Sec. 28. Minnesota Statutes 2006, section 289A.08, subdivision 13, is amended to read:

Subd. 13. **Long and short forms; local use tax instructions; property tax refund information.** (a) 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.

(b) The commissioner must provide information on local use taxes in the individual income tax instruction booklet. The commissioner must provide this information in the same section of the booklet that provides information on the state use tax.

(c) The commissioner must refer to the property tax refunds allowed under chapter 290A on the front cover of the individual income tax instruction booklet, as well as information within the booklet on income eligibility for the homestead and renter refunds, and maximum refund amounts allowed in the current year.

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

Sec. 29. Minnesota Statutes 2006, section 289A.40, subdivision 4, is amended to read:

Subd. 4. **Property tax refund claims.** A property tax refund claim under chapter 290A is not allowed if the initial claim is filed more than (1) one year after the original due date for filing the claim for refunds under section 290A.04, subdivision 2h; or (2) two years after the original due date for filing the claim for refunds under section 290A.04, subdivisions 2, 2a, and 2k.

**EFFECTIVE DATE.** This section is effective for property taxes payable in 2006 and thereafter and rent paid in 2005 and thereafter.

Sec. 30. Minnesota Statutes 2006, section 290B.03, subdivision 1, is amended to read:

Subdivision 1. **Program qualifications.** The qualifications for the senior citizens' property tax deferral program are as follows:

(1) the property must be owned and occupied as a homestead by a person 65 years of age or older. In the case of a married couple, ~~both~~ only one of the spouses must be at least 65 years old at the time the first property tax deferral is granted, regardless of whether the property is titled in the name of one spouse or both spouses, or titled in another way that permits the property to have homestead status;

(2) the total household income of the qualifying ~~homeowners~~ homeowner, or in the case of a married couple, the qualifying homeowner and spouse, as defined in section 290A.03, subdivision 5, for the calendar year preceding the year of the initial application may not exceed ~~\$60,000~~ \$75,000;

(3) the homestead must have been owned and occupied as the homestead of at least one of the ~~qualifying~~ homeowners for at least 15 years prior to the year the initial application is filed;

(4) there are no state or federal tax liens or judgment liens on the homesteaded property;

(5) there are no mortgages or other liens on the property that secure future advances, except for those subject to credit limits that result in compliance with clause (6); and

(6) the total unpaid balances of debts secured by mortgages and other liens on the property, including unpaid and delinquent special assessments and interest and any delinquent property taxes, penalties, and interest, but not including property taxes payable during the year, does not exceed 75 percent of the assessor's estimated market value for the year.

**EFFECTIVE DATE.** This section is effective for applications filed on or after July 1, 2007.

Sec. 31. Minnesota Statutes 2006, section 290B.03, subdivision 2, is amended to read:

Subd. 2. **Qualifying homestead; defined.** Qualifying homestead property is defined as the dwelling occupied as the homeowner's principal residence and so much of the land surrounding it as is reasonably necessary for use of the dwelling as a home and any other property used for purposes of a homestead as defined in section 273.13, subdivisions 22 and 23, but not to exceed one acre. The homestead may be part of a multidwelling building and the land on which it is built. Property is not qualifying homestead property if a person or entity other than the applicant or the applicant's spouse holds an interest in the property as the vendor under a contract for deed or as a remainderperson.

**EFFECTIVE DATE.** This section is effective for applications submitted on or after January 1, 2007.

Sec. 32. Minnesota Statutes 2006, section 290B.04, subdivision 3, is amended to read:

Subd. 3. **Excess-income certification by taxpayer.** A taxpayer whose initial application has been approved under subdivision 2 shall notify the commissioner of revenue in writing by July 1 if the taxpayer's household income for the preceding calendar year exceeded ~~\$60,000~~ \$75,000. The certification must state the homeowner's total household income for the previous calendar year. No property taxes may be deferred under this chapter in any year following the year in which a program participant filed or should have filed an excess-income certification under this subdivision showing income in excess of the maximum allowed, unless the participant has filed a resumption of eligibility certification as described in subdivision 4.

**EFFECTIVE DATE.** This section is effective for applications filed on or after July 1, 2007.

Sec. 33. Minnesota Statutes 2006, section 290B.04, subdivision 4, is amended to read:

Subd. 4. **Resumption of eligibility certification by taxpayer.** A taxpayer who has previously filed an excess-income certification under subdivision 3 may resume program participation if the taxpayer's household income for a subsequent year is ~~\$60,000~~ \$75,000 or less. If the taxpayer chooses to resume program participation, the taxpayer must notify the commissioner of revenue in writing by July 1 of the year following a calendar year in which the taxpayer's household income is ~~\$60,000~~ \$75,000 or less. The certification must state the taxpayer's total household income for the previous calendar year. Once a taxpayer resumes participation in the program under this subdivision, participation will continue until the taxpayer files a subsequent excess-income certification under subdivision 3 or until participation is terminated under section 290B.08, subdivision 1.

**EFFECTIVE DATE.** This section is effective for applications filed on or after July 1, 2007.

Sec. 34. Minnesota Statutes 2006, section 290B.05, subdivision 1, is amended to read:

Subdivision 1. **Determination by commissioner.** The commissioner shall determine each qualifying homeowner's "annual maximum property tax amount" following approval of the homeowner's initial application and following the receipt of a resumption of eligibility certification. The "annual maximum property tax amount" equals three percent of the homeowner's total household income for the year preceding either the initial application or the resumption of eligibility certification, whichever is applicable. Following approval of the initial application, the commissioner shall determine the qualifying homeowner's "maximum allowable deferral." No tax may be deferred relative to the appropriate assessment year for any homeowner whose total household income for the previous year exceeds ~~\$60,000~~ \$75,000. No tax shall be deferred in any year in which the homeowner does not meet the program qualifications in section 290B.03. The maximum allowable total deferral is equal to 75 percent of the assessor's estimated market value for the year, less the balance of any mortgage loans and other amounts secured by liens against the property at the time of application, including any unpaid and delinquent special assessments and interest and any delinquent property taxes, penalties, and interest, but not including property taxes payable during the year.

**EFFECTIVE DATE.** This section is effective for applications received on or after July 1, 2007.

Sec. 35. Minnesota Statutes 2006, section 290B.07, is amended to read:

**290B.07 LIEN; DEFERRED PORTION.**

(a) Payment by the state to the county treasurer of property taxes, penalties, interest, or special assessments and interest deferred under this chapter is deemed a loan from the state to the program participant. The commissioner must ~~compute the interest as provided in section 270C.40, subdivision 5, but not to exceed five percent, and~~ maintain records of the total deferred amount and interest for each participant. Interest shall accrue beginning September 1 of the payable year for which the taxes are deferred, provided that no interest shall be charged on (1) deferred property tax amounts on applications filed on or after July 1, 2007, or (2) deferred property taxes beginning with taxes payable in 2008 on applications filed prior to July 1, 2007. Any deferral made under this chapter shall not be construed as delinquent property taxes.

The lien created under section 272.31 continues to secure payment by the taxpayer, or by the taxpayer's successors or assigns, of the amount deferred, including interest, with respect to all years for which amounts are deferred. The lien for deferred taxes and interest has the same priority as any other lien under section 272.31, except that liens, including mortgages, recorded or filed prior to the recording or filing of the notice under section 290B.04, subdivision 2, have priority over the lien for deferred taxes and interest. A seller's interest in a contract for deed, in which a qualifying homeowner is the purchaser or an assignee of the purchaser, has priority over deferred taxes and interest on deferred taxes, regardless of whether the contract for deed is recorded or filed. The lien for deferred taxes and interest for future years has the same priority as the lien for deferred taxes and interest for the first year,

which is always higher in priority than any mortgages or other liens filed, recorded, or created after the notice recorded or filed under section 290B.04, subdivision 2. The county treasurer or auditor shall maintain records of the deferred portion and shall list the amount of deferred taxes for the year and the cumulative deferral and interest for all previous years as a lien against the property. In any certification of unpaid taxes for a tax parcel, the county auditor shall clearly distinguish between taxes payable in the current year, deferred taxes and interest, and delinquent taxes. Payment of the deferred portion becomes due and owing at the time specified in section 290B.08. Upon receipt of the payment, the commissioner shall issue a receipt for it to the person making the payment upon request and shall notify the auditor of the county in which the parcel is located, within ten days, identifying the parcel to which the payment applies. Upon receipt by the commissioner of revenue of collected funds in the amount of the deferral, the state's loan to the program participant is deemed paid in full.

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

**EFFECTIVE DATE.** This section is effective July 1, 2007.

Sec. 36. Minnesota Statutes 2006, section 290C.07, is amended to read:

**290C.07 CALCULATION OF INCENTIVE PAYMENT.**

An approved claimant under the sustainable forest incentive program is eligible to receive an annual payment. The payment shall equal the greater of:

(1) the difference between the property tax that would be paid on the land using the previous year's statewide average total township tax rate and the class rate for class 2b timberland under section 273.13, subdivision 23, paragraph (b), if the land were valued at (i) the average statewide timberland market value per acre calculated under section 290C.06, and (ii) the average statewide timberland current use value per acre calculated under section 290C.02, subdivision 5;

(2) two-thirds of the property tax amount determined by using the previous year's statewide average total township tax rate, the estimated market value per acre as calculated in section 290C.06, and the class rate for 2b timberland under section 273.13, subdivision 23, paragraph (b); or

(3) ~~\$1.50~~ \$5 per acre for each acre enrolled in the sustainable forest incentive program.

**EFFECTIVE DATE.** This section is effective for payments made in 2008 and thereafter.

Sec. 37. **[290D.01] CITATION.**

This program shall be named the "seasonal recreational property tax deferral program."

**EFFECTIVE DATE.** This section is effective July 1, 2007.

Sec. 38. **[290D.02] TERMS.**

Subdivision 1. **Terms.** For purposes of sections 290D.01 to 290D.08, the terms defined in this section have the meanings given them.

Subd. 2. **Primary property owner.** "Primary property owner" means a person who (1) has been the owner, or one of the owners, of the eligible property for at least 15 years prior to the year the application is filed under section 290D.04; and (2) applies for the deferral of property taxes under section 290D.04.

Subd. 3. **Secondary property owner.** "Secondary property owner" means any person, other than the primary property owner, who has been an owner of the eligible property for at least 15 years prior to the year the initial application is filed for deferral of property taxes under section 290D.04.

Subd. 4. **Eligible property.** "Eligible property" means a parcel of property or contiguous parcels of property under the same ownership classified as noncommercial seasonal residential recreational 4c(1) property under section 273.13, subdivision 25.

Subd. 5. **Base property tax amount.** "Base property tax amount" means the total property taxes levied by all taxing jurisdictions, including special assessments, on the eligible property in the year prior to the year that the initial application is approved under section 290D.04 and payable in the year of the application.

Subd. 6. **Special assessments.** "Special assessments" means any assessment, fee, or other charge that may be made by law, and that appears on the property tax statement for the property for collection under the laws applicable to the enforcement of real estate taxes.

Subd. 7. **Commissioner.** "Commissioner" means the commissioner of revenue.

**EFFECTIVE DATE.** This section is effective for applications filed July 1, 2008, and thereafter.

Sec. 39. **[290D.03] QUALIFICATIONS FOR DEFERRAL.**

In order for an eligible property to qualify for treatment under this program:

(1) the eligible property must have been owned solely by the primary property owner, or jointly with others, for at least 15 years prior to the year the initial application is filed;

(2) there must be no state or federal tax liens or judgment liens on the eligible property;

(3) there must be no mortgages or other liens on the eligible property that secure future advances, except for those subject to credit limits that result in compliance with clause (4); and

(4) the total unpaid balances of debts secured by mortgages and other liens on the eligible property, including unpaid and delinquent special assessments and interest and any delinquent property taxes, penalties, and interest, but not including property taxes payable during the year, must not exceed 60 percent of the assessor's estimated market value for the current assessment year.

**EFFECTIVE DATE.** This section is effective for applications filed July 1, 2008, and thereafter.

Sec. 40. **[290D.04] APPLICATION FOR DEFERRAL.**

Subdivision 1. **Initial application.** (a) A primary owner of a property meeting the qualifications under section 290D.03 may apply to the commissioner for deferral of taxes on the eligible property. Applications are due on or before July 1 for deferral of any taxes payable in the following year. The application, which must be prescribed by the commissioner, shall include the following items and any other information the commissioner deems necessary:

(1) the name, address, and Social Security number of the primary property owner and secondary property owners, if any;

(2) a copy of the property tax statement for the current taxes payable year for the eligible property;

(3) the initial year of ownership of the primary property owner and any second property owners of the eligible property;

(4) information on any mortgage loans or other amounts secured by mortgages or other liens against the eligible property, for which purpose the commissioner may require the applicant to provide a copy of the mortgage note, the mortgage, or a statement of the balance owing on the mortgage loan provided by the mortgage holder. The commissioner may require the appropriate documents in connection with obtaining and confirming information on unpaid amounts secured by other liens; and

(5) the signatures of the primary property owner and all other owners, if any, stating that each owner agrees to enroll the eligible property in the program to defer property taxes under this chapter.

The application must state that program participation is voluntary. The application must also state that program participation includes authorization for the annual deferred amount. The deferred property tax calculated by the county and the cumulative deferred property tax amount is public data.

(b) As part of the initial application process, if the property is abstract property, the commissioner may require the applicant to obtain at the applicant's cost a report prepared by a licensed abstracter showing the last deed and any unsatisfied mortgages, liens, judgments, and state and federal tax lien notices which were recorded on or after the date of that last deed with respect to the eligible property or to the applicant.

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

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

Subd. 2. **Approval; recording.** The commissioner shall approve all initial applications that qualify under this chapter and shall notify the primary property owner on or before December 1. The commissioner may investigate the facts or require confirmation in regard to an application. The commissioner shall record or file a notice of qualification for deferral, including the names of the primary and any secondary property owners and a legal description of the eligible property, in the office of the county recorder, or registrar of titles, whichever is applicable, in the county where the eligible property is located. The notice must state that it serves as a notice of lien and that it includes deferrals under this section for future years. The primary property owner shall pay the recording or filing fees for the notice, which, notwithstanding section 357.18, shall be paid by that owner at the time of satisfaction of the lien.

**Subd. 3. Penalty for failure; investigations.** (a) The commissioner shall assess a penalty equal to 20 percent of the property taxes improperly deferred in the case of a false application. The commissioner shall assess a penalty equal to 50 percent of the property taxes improperly deferred if the taxpayer knowingly filed a false application. The commissioner shall assess penalties under this section through the issuance of an order under the provisions of chapter 270C. Persons affected by a commissioner's order issued under this section may appeal as provided in chapter 270C.

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

**Subd. 4. Annual certification to commissioner.** Annually on or before July 1, the primary property owner must certify to the commissioner that the person continues to qualify as a primary property owner. If the primary owner has died or has transferred the property in the preceding year, a certification may be filed by the primary owner's spouse, or by one of the secondary owners, provided that the person is currently an owner of the property. In this case, the primary owner's spouse or the secondary owner shall be considered the primary owner from that point forward. If neither the primary owner, the primary owner's spouse, or a secondary owner is eligible to file the required annual certification for the property, the property's participation in the program shall be terminated, and the procedures in section 290D.07 apply.

**Subd. 5. Annual notice to primary property owner.** Annually, on or before September 1, the commissioner shall notify each primary property owner, in writing, of the total cumulative deferred taxes and accrued interest on the qualifying property as of that date.

**EFFECTIVE DATE.** This section is effective for applications filed July 1, 2008, and thereafter.

**Sec. 41. [290D.05] DEFERRED PROPERTY TAX AMOUNT.**

**Subdivision 1. Calculation of deferred property tax amount.** Each year after the county auditor has determined the final property tax rates under section 275.08, the "deferred property tax amount" must be calculated on each eligible property. The deferred property tax amount is equal to 50 percent of the amount of the difference between (1) the total amount of property taxes and special assessments levied upon the eligible property for the current year by all taxing jurisdictions and (2) the eligible property's base property tax amount. Any tax attributable to new improvements made to the eligible property after the initial application has been approved under section 290D.04, subdivision 2, must be excluded in determining the deferred property tax amount. The eligible property's total current year's tax less the deferred property tax amount for the current year must be listed on the property tax statement and is the amount due to the county under chapter 276. Reference that the property is enrolled in the seasonal recreational property tax deferral program under this chapter and a state lien has been recorded must be clearly printed on the statement.

**Subd. 2. Certification to commissioner.** The county auditor shall annually, on or before April 15, certify to the commissioner the property tax deferral amounts determined under this section for each eligible property in the county. The commissioner shall prescribe the information that is necessary to identify the eligible properties.

**Subd. 3. Limitation on total amount of deferred taxes.** The total amount of deferred taxes and interest on a property, when added to (1) the balance owed on any mortgages on the property at the time of initial application; (2) other amounts secured by liens on the property at the time of the initial application; and (3) any unpaid and delinquent special assessments and interest and any delinquent property taxes, penalties, and interest, but not including property taxes payable during the year, must not exceed 60 percent of the assessor's estimated market value of the property for the current assessment year.

**EFFECTIVE DATE.** This section is effective for applications filed July 1, 2008, and thereafter.

Sec. 42. **[290D.06] LIEN; DEFERRED PORTION.**

(a) Payment by the state to the county treasurer of property taxes, penalties, interest, or special assessments and interest, deferred under this chapter is deemed a loan from the state to the program participant. The commissioner shall compute the interest as provided in section 270C.40, subdivision 5, but not to exceed two percent over the maximum interest rate provided in section 290B.07, paragraph (a), and maintain records of the total deferred amount and interest for each participant. Interest accrues beginning September 1 of the payable year for which the taxes are deferred. Any deferral made under this chapter must not be construed as delinquent property taxes.

The lien created under section 272.31 continues to secure payment by the taxpayer, or by the taxpayer's successors or assigns, of the amount deferred, including interest, with respect to all years for which amounts are deferred. The lien for deferred taxes and interest has the same priority as any other lien under section 272.31, except that liens, including mortgages, recorded or filed prior to the recording or filing of the notice under section 290D.04, subdivision 2, have priority over the lien for deferred taxes and interest. A seller's interest in a contract for deed, in which a qualifying owner is the purchaser or an assignee of the purchaser, has priority over deferred taxes and interest on deferred taxes, regardless of whether the contract for deed is recorded or filed. The lien for deferred taxes and interest for future years has the same priority as the lien for deferred taxes and interest for the first year, which is always higher in priority than any mortgages or other liens filed, recorded, or created after the notice recorded or filed under section 290D.04, subdivision 2. The county treasurer or auditor shall maintain records of the deferred portion and shall list the amount of deferred taxes for the year and the cumulative deferral and interest for all previous years as a lien against the eligible property. In any certification of unpaid taxes for a tax parcel, the county auditor shall clearly distinguish between taxes payable in the current year, deferred taxes and interest, and delinquent taxes. Payment of the deferred portion becomes due and owing at the time specified in section 290D.07. Upon receipt of the payment, the commissioner shall issue a receipt to the person making the payment upon request and shall notify the auditor of the county in which the parcel is located, within ten days, identifying the parcel to which the payment applies. Upon receipt by the commissioner of collected funds in the amount of the deferral, the state's loan to the program participant is deemed paid in full.

(b) If eligible property for which taxes have been deferred under this chapter forfeits under chapter 281 for nonpayment of a nondeferred property tax amount, or because of nonpayment of amounts previously deferred following a termination under section 290D.07, the lien for the taxes deferred under this chapter, plus interest and costs, shall be canceled by the county auditor as provided in section 282.07. However, notwithstanding any other law to the contrary, any proceeds from a subsequent sale of the eligible property under chapter 282 or another law, must be used to first reimburse the county's forfeited tax sale fund for any direct costs of selling the eligible property or any costs directly related to preparing the eligible property for sale, and then to reimburse the state for the amount of the canceled lien. Within 90 days of the receipt of any sale proceeds to which the state is entitled under these provisions, the county auditor must pay those funds to the commissioner by warrant for deposit in the general fund. No other deposit, use, distribution, or release of gross sale proceeds or receipts may be made by the county until payments sufficient to fully reimburse the state for the canceled lien amount have been transmitted to the commissioner.

**EFFECTIVE DATE.** This section is effective for applications filed July 1, 2008, and thereafter.

Sec. 43. **[290D.07] TERMINATION OF DEFERRAL; PAYMENT OF DEFERRED TAXES.**

Subdivision 1. **Termination.** (a) The deferral of taxes granted under this chapter terminates when one of the following occurs:

(1) the eligible property is sold or transferred to someone other than the primary owner's spouse or a secondary owner;



(2) the death of the primary owner, or in the case of a married couple, after the death of both spouses, provided that there is not a secondary owner eligible to become the primary owner;

(3) the primary property owner notifies the commissioner, in writing, that all owners, including any secondary property owners, desire to discontinue the deferral; or

(4) the eligible property no longer qualifies under section 290D.03.

(b) An eligible property is not terminated from the program because no deferred property tax amount is determined for any given year after the eligible property's initial enrollment into the program.

(c) An eligible property is not terminated from the program if the eligible property subsequently becomes the homestead of one or more of the property owners and the property and the owners qualify for, and are immediately enrolled in, the senior deferral program under chapter 290B.

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

**EFFECTIVE DATE.** This section is effective for applications filed July 1, 2008, and thereafter.

Sec. 44. **[290D.08] STATE REIMBURSEMENT.**

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

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

Subd. 2. **Appropriation.** An amount sufficient to pay the total amount of property tax determined under subdivision 1, plus any amounts paid under section 290D.04, subdivision 4, is annually appropriated from the general fund to the commissioner.

**EFFECTIVE DATE.** This section is effective for applications filed July 1, 2008, and thereafter.

Sec. 45. Minnesota Statutes 2006, section 298.75, is amended by adding a subdivision to read:

Subd. 11. **Tax may be imposed; Otter Tail County.** (a) If Otter Tail County does not impose a tax under this section and approves imposition of the tax under this subdivision, the town of Scambler in Otter Tail 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 Scambler, except that in lieu of the tax proceeds under subdivision 7, all proceeds of the tax must be retained by the town.

(d) If Otter Tail County imposes an aggregate materials tax under this section, the tax imposed by the town of Scambler under this subdivision is repealed on the effective date of the Otter Tail County tax.

**EFFECTIVE DATE.** This section is effective the day after the governing body of the town of Scambler and its chief clerical officer comply with section 645.021, subdivisions 2 and 3.

Sec. 46. Minnesota Statutes 2006, section 435.193, is amended to read:

**435.193 HARDSHIP ASSESSMENT DEFERRAL FOR SENIORS ~~OR~~, DISABLED, OR MILITARY PERSONS.**

(a) Notwithstanding the provisions of any law to the contrary, any county, statutory or home rule charter city, or town, making a special assessment may, at its discretion, defer the payment of that assessment for any homestead property:

(1) owned by a person 65 years of age or older or retired by virtue of a permanent and total disability for whom it would be a hardship to make the payments; ~~or~~

(2) owned by a person who is a member of the Minnesota National Guard or other military reserves who is ordered into active military service, as defined in section 190.05, subdivision 5b or 5c, as stated in the person's military orders, for whom it would be a hardship to make the payments.

(b) Any county, statutory or home rule charter city, or town electing to defer special assessments shall adopt an ordinance or resolution establishing standards and guidelines for determining the existence of a hardship and for determining the existence of a disability, but nothing herein shall be construed to prohibit the determination of hardship on the basis of exceptional and unusual circumstances not covered by the standards and guidelines where the determination is made in a nondiscriminatory manner and does not give the applicant an unreasonable preference or advantage over other applicants.

**EFFECTIVE DATE.** This section is effective the day following final enactment, and applies to any special assessment for which payment is due on or after that date.

Sec. 47. Minnesota Statutes 2006, section 469.1813, subdivision 1a, is amended to read:

Subd. 1a. **Use of term.** (a) As used in this section and sections 469.1814 and 469.1815, "abatement" includes a deferral of taxes with abatement of interest and penalties unless the context indicates otherwise. **The abatement may include delinquent taxes, interest, and penalties.**

(b) Computation of duration limits under this section must include each taxes payable year for which delinquent taxes are abated.

**EFFECTIVE DATE.** This section is effective for abatements granted after December 31, 2006.

Sec. 48. Minnesota Statutes 2006, section 473F.01, subdivision 2, is amended to read:

Subd. 2. **Use of proceeds.** ~~Except as provided in section 473F.08, subdivision 3a,~~ The proceeds from the areawide tax imposed under this chapter must be used by a local governmental unit in the same manner and for the same purposes as the proceeds from other ad valorem taxes levied by the local governmental unit.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2008 and thereafter.

Sec. 49. Minnesota Statutes 2006, section 473F.08, subdivision 5, is amended to read:

Subd. 5. **Areawide tax rate.** On or before August 25 of each year, the county auditor shall certify to the administrative auditor that portion of the levy of each governmental unit determined under subdivisions 3, clause (a), ~~3a,~~ and 3b. The administrative auditor shall then determine the areawide tax rate sufficient to yield an amount equal to the sum of such levies from the areawide net tax capacity. On or before September 1 of each year, the administrative auditor shall certify the areawide tax rate to each of the county auditors.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2008 and thereafter.

Sec. 50. Minnesota Statutes 2006, section 473F.08, subdivision 7a, is amended to read:

Subd. 7a. **Certification of values; payment.** The administrative auditor shall determine for each county the difference between the total levy on distribution value pursuant to subdivisions 3, clause (a), ~~3a,~~ and 3b, within the county and the total tax on contribution value pursuant to subdivision 6, within the county. On or before May 16 of each year, the administrative auditor shall certify the differences so determined to each county auditor. In addition, the administrative auditor shall certify to those county auditors for whose county the total tax on contribution value exceeds the total levy on distribution value the settlement the county is to make to the other counties of the excess of the total tax on contribution value over the total levy on distribution value in the county. On or before June 15 and November 15 of each year, each county treasurer in a county having a total tax on contribution value in excess of the total levy on distribution value shall pay one-half of the excess to the other counties in accordance with the administrative auditors certification.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2008 and thereafter.

Sec. 51. Laws 1973, chapter 393, section 1, as amended by Laws 1974, chapter 153, section 1, is amended to read:

Section 1. MINNEAPOLIS, CITY OF; STREET MAINTENANCE AND LIGHTING.

Notwithstanding the provisions of any statute or the charter of the city of Minneapolis to the contrary, the city council of said city may provide that all or part of the costs of construction, operation, and maintenance of streets and street lighting within the city may hereafter be paid from the general revenues of the city of Minneapolis; provided that the portion of the costs assessable against nongovernmental real property exempt from ad valorem taxation may be levied as a special assessment against the property.

Sec. 52. Laws 2006, chapter 236, article 1, section 21, is amended to read:

Sec. 47. **EXCHANGE OF TAX-FORFEITED LAND; PRIVATE SALE; ITASCA COUNTY.**

(a) For the purpose of a land exchange for use in connection with a proposed steel mill in Itasca County referenced in Laws 1999, chapter 240, article 1, section 8, subdivision 3, title examination and approval of the land described in paragraph (b) shall be undertaken as a condition of exchange of the land for class B land, and shall be

governed by Minnesota Statutes, section 94.344, subdivisions 9 and 10, and the provisions of this section. Notwithstanding the evidence of title requirements in Minnesota Statutes, section 94.344, subdivisions 9 and 10, the county attorney shall examine one or more title reports or title insurance commitments prepared or underwritten by a title insurer licensed to conduct title insurance business in this state, regardless of whether abstracts were created or updated in the preparation of the title reports or commitments. The opinion of the county attorney, and approval by the attorney general, shall be based on those title reports or commitments.

(b) The land subject to this section is located in Itasca County and is described as:

(1) Sections 3, 4, 7, 10, 14, 15, 16, 17, 18, 20, 21, 22, 23, 26, 28, and 29, Township 56 North, Range 22 West;

(2) Sections 3, 4, 9, 10, 13, and 14, Township 56 North, Range 23 West;

(3) Section 30, Township 57 North, Range 22 West; and

(4) Sections 25, 26, 34, 35, and 36, Township 57 North, Range 23 West.

(c) Riparian land given in exchange by Itasca County for the purpose of the steel mill referenced in paragraph (a), is exempt from the restrictions imposed by Minnesota Statutes, section 94.342, subdivision 3.

(d) Notwithstanding Minnesota Statutes, sections 92.45 and 282.018, subdivision 1, and the public sale provisions of Minnesota Statutes, chapter 282, Itasca County may sell, by private sale, any land received in exchange for the purpose of the steel mill referenced in paragraph (a), under the remaining provisions of Minnesota Statutes, chapter 282. The sale must be in a form approved by the attorney general.

(e) Notwithstanding Minnesota Statutes, section 284.28, subdivision 8, or any other law to the contrary, land acquired through an exchange under this section is exempt from payment of three percent of the sales price required to be collected by the county auditor at the time of sale for deposit in the state treasury.

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

Sec. 53. **FISCAL DISPARITIES STUDY.**

The commissioner of revenue shall conduct a study of the metropolitan revenue distribution program contained in Minnesota Statutes, chapter 473F, commonly known as the fiscal disparities program. On or before February 1, 2008, the commissioner shall make a report to the chairs of the house of representatives and senate tax committees consisting of the findings of the study and any recommendations resulting from the study.

The study must consider to what extent the program is meeting the following goals, and what changes could be made to the program in the furtherance of meeting those goals:

(1) reducing the extent to which the property tax encourages development patterns that do not make cost-effective use of public infrastructure or impose other high public costs;

(2) ensuring that the benefits of economic growth of the region are shared throughout the region, especially for growth that results from state and/or regional decisions;

(3) improving the ability of each jurisdiction within the region to deliver services at a level commensurate with its tax effort;

(4) compensating jurisdictions containing properties that provide regional benefits for the costs those properties impose on their host jurisdictions in excess of their tax payments;

(5) promoting a fair distribution of property tax burdens across jurisdictions of the region; and

(6) reducing the economic losses that result from competition among communities for commercial-industrial tax base.

**EFFECTIVE DATE.** This section is effective July 1, 2007.

Sec. 54. **IMPROVING PUBLIC AWARENESS AND PARTICIPATION IN PROPERTY TAX RELIEF PROGRAMS.**

The commissioner of revenue, in consultation with county officials, shall undertake to improve the public's awareness of and participation in property tax refund programs, including the regular program for homeowners and renters and the additional property tax refund program, the senior citizen's property tax deferral program, and the seasonal recreational property tax deferral program.

The commissioner shall consider options for improving public awareness, including, but not limited to:

(i) direct mailings to homeowners;

(ii) an insert in the property tax statement;

(iii) more prominent and direct references to the programs on the property tax statement;

(iv) notification on the property tax statement envelopes or folders;

(v) public service announcements, including print, broadcast, and Internet; and

(vi) information and handouts at the truth in taxation hearings.

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

Sec. 55. **TRUTH IN TAXATION PROGRAM; COSTS AND PARTICIPATION STUDY.**

The commissioner of revenue shall prepare a study of the costs of the truth in taxation program under Minnesota Statutes, section 275.065, and the level of taxpayer participation in the hearings required under Minnesota Statutes, section 275.065, subdivision 6. In determining the costs, the commissioner shall ascertain the costs of the preparation and mailing of the notice under Minnesota Statutes, section 275.065, subdivision 3, the advertisement under Minnesota Statutes, section 275.065, subdivision 5a, and any costs associated with the hearings required under Minnesota Statutes, section 275.065, subdivision 6. The report must also make recommendations for ways to increase taxpayer participation in the local government budget process, including but not limited to the truth-in-taxation process. The report must be delivered by January 15, 2008, to the legislature as provided for in Minnesota Statutes, section 3.195. The report must also be provided to the chairs of the senate and house of representatives committees and divisions with jurisdiction over property taxes.

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

**Sec. 56. CLAIR A. NELSON MEMORIAL FOREST, LAKE COUNTY; TEMPORARY SUSPENSION OF APPORTIONMENT OF PROCEEDS FROM TAX-FORFEITED LANDS.**

(a) Upon approval of an affected political subdivision within Lake County, the Lake County Board may suspend the apportionment of the balance of net proceeds from tax-forfeited lands within the affected political subdivision under Minnesota Statutes, section 282.08, clause (4), item (iii), and retain the net proceeds. The authority under this paragraph is available until Lake County suspends the apportionment of net proceeds subject to item (iii) in the amount of \$2,200,000 plus any interest costs incurred by the county to purchase land described in this section. The money received by Lake County is to reimburse the county for the purchase in 2006 of 6,085 acres of forest land named the Clair A. Nelson Memorial Forest.

(b) Any revenue derived from acquired land that was reimbursed under paragraph (a) is subject to apportionment as provided in Minnesota Statutes, section 282.08.

**EFFECTIVE DATE.** This section is effective retroactively from January 1, 2006.

**Sec. 57. LAKEVIEW CEMETERY ASSOCIATION.**

Subdivision 1. **Authorized.** Any two or more of the following cities and towns in Itasca County may enter into a joint powers agreement under Minnesota Statutes, section 471.59, to establish the Lakeview Cemetery Association with the powers and duties of a cemetery association under Minnesota Statutes, chapter 306: the cities of Bovey, Calumet, Coleraine, Marble, and Taconite, and the towns of Greenway, Iron Range, Lawrence, and Trout Lake.

Subd. 2. **Additions; withdrawals.** (a) A city or town listed in subdivision 1 that does not join the association at the time of the initial agreement may join as provided in the joint powers agreement, or if the joint powers agreement does not provide for later additions, by providing the association a copy of the adopted resolution to join. If the joint powers agreement does not provide for adding members, a city or town that joins after the initial agreement is effective, may join prior to July 1 of the levy year, for taxes payable in the following year.

(b) A city or town may withdraw from the association as otherwise provided in the joint powers agreement, or providing to the association a copy of the adopted resolution of the city or town, prior to July 1 of the levy year for taxes payable in the following year.

Subd. 3. **Operation; tax levy.** The joint powers agreement for the association may provide for each participating city and town to levy a tax against all taxable properties located within the city or town. The maximum amount that may be levied by all participating cities and towns combined shall not exceed a total of \$200,000 per year. If levied, the tax is in addition to all other taxes permitted to be levied on the property, including taxes permitted to be levied for cemetery purposes by a participating city or town. The levy under this section must be disregarded in the calculation of all other rate or per capita levy limitations imposed by law. One of the cities or towns within the association, chosen by the members of the association, shall certify a tax levy to the Itasca County auditor. When collected, the Itasca County auditor shall pay the Lakeview Cemetery Association directly.

**EFFECTIVE DATE.** This section is effective for taxes levied in 2007, payable in 2008, and thereafter.

**Sec. 58. TAX-FORFEITED LANDS LEASE; ITASCA COUNTY.**

Notwithstanding Minnesota Statutes, section 282.04, or other law to the contrary, the Itasca County auditor may lease tax-forfeited land to Minnesota Steel for a period of 20 years, for use as a tailings basin and buffer area. A lease entered under this section is renewable.

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

Sec. 59. **REPEALER.**

(a) Minnesota Statutes 2006, section 473F.08, subdivision 3a, is repealed.

(b) Laws 1973, chapter 393, section 2, is repealed.

(c) Laws 1994, chapter 587, article 9, section 8, subdivision 1, as amended by Laws 2005, First Special Session chapter 3, article 1, section 36, is repealed, effective for the same levy year in which the association initially levies under section 57.

**EFFECTIVE DATE.** Paragraph (a) is effective for taxes payable in 2008 and thereafter.

ARTICLE 4

CORPORATE FRANCHISE TAX

Section 1. Minnesota Statutes 2006, 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 taxable years beginning after December 31, 2006.

Sec. 2. Minnesota Statutes 2006, section 290.01, subdivision 5, is amended to read:

Subd. 5. **Domestic corporation.** The term "domestic" when applied to a corporation means a corporation:

(1) created or organized in the United States, or under the laws of the United States or of any state, the District of Columbia, or any political subdivision of any of the foregoing but not including the Commonwealth of Puerto Rico, or any possession of the United States;

(2) which qualifies as a DISC, as defined in section 992(a) of the Internal Revenue Code; ~~or~~

(3) which qualifies as a FSC, as defined in section 922 of the Internal Revenue Code;

(4) which is treated as a domestic corporation for purposes of section 1504(d) of the Internal Revenue Code;

(5) if the average of its property, payroll, and sales factors, as defined under section 290.191, within the 50 states of the United States and the District of Columbia is 20 percent or more; or

(6) which is a controlled foreign corporation as defined in section 957 of the Internal Revenue Code and which has subpart F income, as defined in section 952 of the Internal Revenue Code, for the taxable year.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2006.

Sec. 3. Minnesota Statutes 2006, 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 and 965 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); payments to a foreign corporation that is part of the unitary business and that is not subject to an election for the taxable year under section 290.17, subdivision 4a, deducted in computing federal taxable income, if the payments are foreign personal holding company income as that term is defined in section 954(c) of the Internal Revenue Code;~~

~~(12)~~ (11) 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;

~~(13)~~ (12) the amount of net income excluded under section 114 of the Internal Revenue Code;



~~(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 103 of Public Law 109-222;~~

~~(15)~~ (13) 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;

~~(16)~~ (14) 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;

~~(17)~~ (15) to the extent deducted in computing federal taxable income, the amount of the deduction allowable under section 199 of the Internal Revenue Code; and

~~(18)~~ (16) 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 taxable years beginning after December 31, 2006.

Sec. 4. Minnesota Statutes 2006, 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 work opportunity 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)~~ (9), 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)~~ (9) 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)~~ (10) the amount of disability 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)~~ (11) 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)~~ (12) 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)~~ (13) 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)~~ (14) 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;~~

~~(19)~~ (15) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause ~~(15)~~ (13), 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 ~~(15)~~ (13). The resulting delayed depreciation cannot be less than zero; and

~~(20)~~ (16) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause ~~(16)~~ (14), an amount equal to one-fifth of the amount of the addition.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2006, except the amendment to clause (2) is effective the day following final enactment.

Sec. 5. Minnesota Statutes 2006, section 290.0921, subdivision 3, is amended to read:

Subd. 3. **Alternative minimum taxable income.** "Alternative minimum taxable income" is Minnesota net income as defined in section 290.01, subdivision 19, and includes the adjustments and tax preference items in sections 56, 57, 58, and 59(d), (e), (f), and (h) of the Internal Revenue Code. If a corporation files a separate company Minnesota tax return, the minimum tax must be computed on a separate company basis. If a corporation is part of a tax group filing a unitary return, the minimum tax must be computed on a unitary basis. The following adjustments must be made.

(1) For purposes of the depreciation adjustments under section 56(a)(1) and 56(g)(4)(A) of the Internal Revenue Code, the basis for depreciable property placed in service in a taxable year beginning before January 1, 1990, is the adjusted basis for federal income tax purposes, including any modification made in a taxable year under section 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c).

For taxable years beginning after December 31, 2000, the amount of any remaining modification made under section 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c), not previously deducted is a depreciation allowance in the first taxable year after December 31, 2000.

(2) The portion of the depreciation deduction allowed for federal income tax purposes under section 168(k) of the Internal Revenue Code that is required as an addition under section 290.01, subdivision 19c, clause ~~(16)~~ (13), is disallowed in determining alternative minimum taxable income.

(3) The subtraction for depreciation allowed under section 290.01, subdivision 19d, clause ~~(19)~~ (15), is allowed as a depreciation deduction in determining alternative minimum taxable income.

(4) The alternative tax net operating loss deduction under sections 56(a)(4) and 56(d) of the Internal Revenue Code does not apply.

(5) The special rule for certain dividends under section 56(g)(4)(C)(ii) of the Internal Revenue Code does not apply.

(6) The special rule for dividends from section 936 companies under section 56(g)(4)(C)(iii) does not apply.

(7) The tax preference for depletion under section 57(a)(1) of the Internal Revenue Code does not apply.

(8) The tax preference for intangible drilling costs under section 57(a)(2) of the Internal Revenue Code must be calculated without regard to subparagraph (E) and the subtraction under section 290.01, subdivision 19d, clause (4).

(9) The tax preference for tax exempt interest under section 57(a)(5) of the Internal Revenue Code does not apply.

(10) The tax preference for charitable contributions of appreciated property under section 57(a)(6) of the Internal Revenue Code does not apply.

(11) For purposes of calculating the tax preference for accelerated depreciation or amortization on certain property placed in service before January 1, 1987, under section 57(a)(7) of the Internal Revenue Code, the deduction allowable for the taxable year is the deduction allowed under section 290.01, subdivision 19e.

For taxable years beginning after December 31, 2000, the amount of any remaining modification made under section 290.01, subdivision 19e, not previously deducted is a depreciation or amortization allowance in the first taxable year after December 31, 2004.

(12) For purposes of calculating the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable income" as it is used in section 56(g) of the Internal Revenue Code, means alternative minimum taxable income as defined in this subdivision, determined without regard to the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

(13) For purposes of determining the amount of adjusted current earnings under section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign dividend gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1), or (ii) the amount of refunds of income, excise, or franchise taxes subtracted as provided in section 290.01, subdivision 19d, clause (10), or (iii) ~~the amount of royalties, fees or other like income subtracted as provided in section 290.01, subdivision 19d, clause (11)~~ (8).

(14) Alternative minimum taxable income excludes the income from operating in a job opportunity building zone as provided under section 469.317.

(15) Alternative minimum taxable income excludes the income from operating in a biotechnology and health sciences industry zone as provided under section 469.337.

(16) Alternative minimum taxable income excludes the income from operating in an international economic development zone as provided under section 469.326.

Items of tax preference must not be reduced below zero as a result of the modifications in this subdivision.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2006.

Sec. 6. Minnesota Statutes 2006, section 290.17, subdivision 4, is amended to read:

Subd. 4. **Unitary business principle.** (a) If a trade or business conducted wholly within this state or partly within and partly without this state is part of a unitary business, the entire income of the unitary business is subject to apportionment pursuant to section 290.191. Notwithstanding subdivision 2, paragraph (c), none of the income of a unitary business is considered to be derived from any particular source and none may be allocated to a particular place except as provided by the applicable apportionment formula. The provisions of this subdivision do not apply to business income subject to subdivision 5, income of an insurance company, or income of an investment company determined under section 290.36.

(b) The term "unitary business" means business activities or operations which result in a flow of value between them. The term may be applied within a single legal entity or between multiple entities and without regard to whether each entity is a sole proprietorship, a corporation, a partnership or a trust.

(c) Unity is presumed whenever there is unity of ownership, operation, and use, evidenced by centralized management or executive force, centralized purchasing, advertising, accounting, or other controlled interaction, but the absence of these centralized activities will not necessarily evidence a nonunitary business. Unity is also presumed when business activities or operations are of mutual benefit, dependent upon or contributory to one another, either individually or as a group.

(d) Where a business operation conducted in Minnesota is owned by a business entity that carries on business activity outside the state different in kind from that conducted within this state, and the other business is conducted entirely outside the state, it is presumed that the two business operations are unitary in nature, interrelated, connected, and interdependent unless it can be shown to the contrary.

(e) Unity of ownership is not deemed to exist when a corporation is involved unless that corporation is a member of a group of two or more business entities and more than 50 percent of the voting stock of each member of the group is directly or indirectly owned by a common owner or by common owners, either corporate or noncorporate, or by one or more of the member corporations of the group. For this purpose, the term "voting stock" shall include membership interests of mutual insurance holding companies formed under section 66A.40.

(f) The net income and apportionment factors under section 290.191 or 290.20 of foreign corporations and other foreign entities which are part of a unitary business shall not be included in the net income or the apportionment factors of the unitary business. A foreign corporation or other foreign entity which is required to file a return under this chapter shall file on a separate return basis. ~~The net income and apportionment factors under section 290.191 or 290.20 of foreign operating corporations shall not be included in the net income or the apportionment factors of the unitary business except as provided in paragraph (g).~~

~~(g) The adjusted net income of a foreign operating corporation shall be deemed to be paid as a dividend on the last day of its taxable year to each shareholder thereof, in proportion to each shareholder's ownership, with which such corporation is engaged in a unitary business. Such deemed dividend shall be treated as a dividend under section 290.21, subdivision 4.~~

~~Dividends actually paid by a foreign operating corporation to a corporate shareholder which is a member of the same unitary business as the foreign operating corporation shall be eliminated from the net income of the unitary business in preparing a combined report for the unitary business. The adjusted net income of a foreign operating corporation shall be its net income adjusted as follows:~~

~~(1) any taxes paid or accrued to a foreign country, the commonwealth of Puerto Rico, or a United States possession or political subdivision of any of the foregoing shall be a deduction; and~~

~~(2) the subtraction from federal taxable income for payments received from foreign corporations or foreign operating corporations under section 290.01, subdivision 19d, clause (10), shall not be allowed.~~

~~If a foreign operating corporation incurs a net loss, neither income nor deduction from that corporation shall be included in determining the net income of the unitary business.~~

~~(h) (g)~~ For purposes of determining the net income of a unitary business and the factors to be used in the apportionment of net income pursuant to section 290.191 or 290.20, there must be included only the income and apportionment factors of domestic corporations or other domestic entities ~~other than foreign operating corporations~~ that are determined to be part of the unitary business pursuant to this subdivision, notwithstanding that foreign corporations or other foreign entities might be included in the unitary business, except as provided in subdivision 4a. For a controlled foreign corporation, as defined in section 957 of the Internal Revenue Code, that is a domestic corporation for the taxable year under section 290.01, subdivision 5, its income and apportionment factors for the taxable year must be multiplied by a fraction not to exceed one, the numerator of which is the subpart F income of the corporation, as defined in section 952 of the Internal Revenue Code, for the taxable year and the denominator of which is the earnings and profits of the corporation, as defined in section 964 of the Internal Revenue Code, for the taxable year.

~~(i) Deductions for expenses, interest, or taxes otherwise allowable under this chapter that are connected with or allocable against dividends, deemed dividends described in paragraph (g), or royalties, fees, or other like income described in section 290.01, subdivision 19d, clause (10), shall not be disallowed.~~

~~(j) (h)~~ Each corporation or other entity, except a sole proprietorship, that is part of a unitary business must file combined reports as the commissioner determines. On the reports, all intercompany transactions between entities included pursuant to paragraph ~~(h) (g)~~ must be eliminated and the entire net income of the unitary business determined in accordance with this subdivision is apportioned among the entities by using each entity's Minnesota factors for apportionment purposes in the numerators of the apportionment formula and the total factors for apportionment purposes of all entities included pursuant to paragraph ~~(h) (g)~~ in the denominators of the apportionment formula.

~~(k) (i)~~ If a corporation has been divested from a unitary business and is included in a combined report for a fractional part of the common accounting period of the combined report:

(1) its income includable in the combined report is its income incurred for that part of the year determined by proration or separate accounting; and

(2) its sales, property, and payroll included in the apportionment formula must be prorated or accounted for separately.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2006.

Sec. 7. Minnesota Statutes 2006, section 290.17, is amended by adding a subdivision to read:

**Subd. 4a. Election to include foreign corporations.** (a) Notwithstanding the provisions of subdivision 4, paragraph (f), a unitary business may elect to include all foreign corporations and other foreign entities that are part of the unitary business in the net income and the apportionment factors of the unitary business under the terms provided in this subdivision. An election under this subdivision requires all of the income and factors of a controlled foreign corporation, treated as a domestic corporation under section 290.01, subdivision 5, clause (6), to be included in the combined report. Each member of the unitary business must make the election under this subdivision for the election to be effective.

(b) An election or a revocation made under this subdivision must be made in the form and manner provided by the commissioner and include any information, consents, or other agreements that the commissioner prescribes. The election must be made by the due date of the return for the taxable year and applies for that taxable year and the succeeding four taxable years or until it is revoked as provided in this paragraph, whichever occurs later. Revocation of an election under this subdivision is effective beginning with the first taxable year that begins two years after the date the revocation is filed with the commissioner. If a taxpayer revokes an election, a subsequent election under this subdivision may not take effect until the third taxable year after the revocation became effective.

(c) For each taxable year in which an election is effective under this subdivision, the net income and apportionment factors of the unitary business must include the net income and apportionment factors of all foreign corporations and other foreign entities that are part of the unitary business.

(d) The commissioner may waive any of the time requirements under paragraph (b) to the extent necessary to reflect the amount of income fairly attributable to this state.

(e) Notwithstanding the requirements of paragraph (b), an election under this subdivision is revoked for the current taxable year if one of the following occurs:

(1) 50 percent or more of the voting stock of the electing corporation is acquired by a nonaffiliated corporation, which has not made an election under this subdivision; or

(2) if the corporation is completely liquidated during the taxable year, its election does not carry over to the corporation receiving its assets; or

(3) the corporation acquires 50 percent or more of the stock of a nonaffiliated corporation (or corporations), which has not made an election under this subdivision and which has Minnesota taxable net income for the previous taxable year that equals or exceeds 20 percent of the Minnesota taxable net income of the unitary business, and each member of the unitary business elects, in a form prescribed by the commissioner, to revoke its election under this subdivision.

(f) If a corporation with an election in effect for the taxable year acquires 50 percent or more of the stock of a nonaffiliated corporation, which has not made an election under this subdivision, and the unitary business does not revoke the election under paragraph (e), clause (3), or does not qualify to revoke the election under paragraph (e), clause (3), the acquired corporation is deemed to have made an election under this subdivision for the term of the election of the unitary business.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2006.

Sec. 8. Minnesota Statutes 2006, 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) 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;<sub>2</sub>

~~(2) 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) 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:~~

<del>Taxable years beginning during calendar year</del>	<del>Sales factor percent</del>	<del>Property factor percent</del>	<del>Payroll factor percent</del>
<del>2007</del>	<del>78</del>	<del>11</del>	<del>11</del>
<del>2008</del>	<del>81</del>	<del>9.5</del>	<del>9.5</del>
<del>2009</del>	<del>84</del>	<del>8</del>	<del>8</del>
<del>2010</del>	<del>87</del>	<del>6.5</del>	<del>6.5</del>
<del>2011</del>	<del>90</del>	<del>5</del>	<del>5</del>
<del>2012</del>	<del>93</del>	<del>3.5</del>	<del>3.5</del>
<del>2013</del>	<del>96</del>	<del>2</del>	<del>2</del>
<del>2014 and later calendar years</del>	<del>100</del>	<del>0</del>	<del>0</del>

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2007, provided that for purposes of taxable years beginning during calendar year 2007 for Minnesota Statutes, section 290.191, subdivisions 2 and 3, the sales factor percent is 82 and property and payroll factor percents are each nine.

Sec. 9. Minnesota Statutes 2006, 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) 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) 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) 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 taxable years beginning after December 31, 2007, provided that for purposes of taxable years beginning during calendar year 2007 for Minnesota Statutes, section 290.191, subdivisions 2 and 3, the sales factor percent is 82 and property and payroll factor percents are each nine.

Sec. 10. Minnesota Statutes 2006, section 290.191, subdivision 5, is amended to read:

Subd. 5. **Determination of sales factor.** For purposes of this section, the following rules apply in determining the sales factor.

(a) The sales factor includes all sales, gross earnings, or receipts received in the ordinary course of the business, except that the following types of income are not included in the sales factor:

- (1) interest;
- (2) dividends;
- (3) sales of capital assets as defined in section 1221 of the Internal Revenue Code;
- (4) sales of property used in the trade or business, except sales of leased property of a type which is regularly sold as well as leased; or
- (5) sales of debt instruments as defined in section 1275(a)(1) of the Internal Revenue Code or sales of stock; ~~and~~
- ~~(6) royalties, fees, or other like income of a type which qualify for a subtraction from federal taxable income under section 290.01, subdivision 19d(10).~~

(b) Sales of tangible personal property are made within this state if the property is received by a purchaser at a point within this state, and the taxpayer is taxable in this state, regardless of the f.o.b. point, other conditions of the sale, or the ultimate destination of the property.

(c) Tangible personal property delivered to a common or contract carrier or foreign vessel for delivery to a purchaser in another state or nation is a sale in that state or nation, regardless of f.o.b. point or other conditions of the sale.

(d) Notwithstanding paragraphs (b) and (c), when intoxicating liquor, wine, fermented malt beverages, cigarettes, or tobacco products are sold to a purchaser who is licensed by a state or political subdivision to resell this property only within the state of ultimate destination, the sale is made in that state.

(e) Sales made by or through a corporation that is qualified as a domestic international sales corporation under section 992 of the Internal Revenue Code are not considered to have been made within this state.

(f) Sales, rents, royalties, and other income in connection with real property is attributed to the state in which the property is located.

(g) Receipts from the lease or rental of tangible personal property, including finance leases and true leases, must be attributed to this state if the property is located in this state and to other states if the property is not located in this state. Receipts from the lease or rental of moving property including, but not limited to, motor vehicles, rolling stock, aircraft, vessels, or mobile equipment are included in the numerator of the receipts factor to the extent that the property is used in this state. The extent of the use of moving property is determined as follows:

(1) A motor vehicle is used wholly in the state in which it is registered.

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

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

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

(h) Royalties and other income not described in paragraph (a), clause (6), received for the use of or for the privilege of using intangible property, including patents, know-how, formulas, designs, processes, patterns, copyrights, trade names, service names, franchises, licenses, contracts, customer lists, or similar items, must be attributed to the state in which the property is used by the purchaser. If the property is used in more than one state, the royalties or other income must be apportioned to this state pro rata according to the portion of use in this state. If the portion of use in this state cannot be determined, the royalties or other income must be excluded from both the numerator and the denominator. Intangible property is used in this state if the purchaser uses the intangible property or the rights therein in the regular course of its business operations in this state, regardless of the location of the purchaser's customers.

(i) Sales of intangible property are made within the state in which the property is used by the purchaser. If the property is used in more than one state, the sales must be apportioned to this state pro rata according to the portion of use in this state. If the portion of use in this state cannot be determined, the sale must be excluded from both the numerator and the denominator of the sales factor. Intangible property is used in this state if the purchaser used the intangible property in the regular course of its business operations in this state.

(j) Receipts from the performance of services must be attributed to the state where the services are received. For the purposes of this section, receipts from the performance of services provided to a corporation, partnership, or trust may only be attributed to a state where it has a fixed place of doing business. If the state where the services are received is not readily determinable or is a state where the corporation, partnership, or trust receiving the service does not have a fixed place of doing business, the services shall be deemed to be received at the location of the office of the customer from which the services were ordered in the regular course of the customer's trade or business. If the ordering office cannot be determined, the services shall be deemed to be received at the office of the customer to which the services are billed. For purposes of this subdivision and subdivision 6, paragraph (1), receipts from the performance of services provided by corporations or trusts, providing management, distribution, or administrative services to any fund regulated under the Investment Company Act of 1940, are attributed to the states where each fund's shareholders reside as determined by the mailing address furnished by the client, based on the

average number of outstanding shares owned by the shareholders at the end of each month compared to the total number of outstanding shares. For purposes of this section, when a fund shareholder of record is an insurance company holding the shares as depositor for policyholders, the corporation can elect to treat the policyholders of the insurance company as the fund shareholders. This election applies to all fund shareholders that are insurance companies and is irrevocable for, and applicable for, five successive income years.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2006, except the amendments to paragraph (j) are effective for taxable years beginning after December 31, 2007.

Sec. 11. Minnesota Statutes 2006, section 290.21, subdivision 4, is amended to read:

Subd. 4. **Dividends received from another corporation.** (a)(1) Eighty percent of dividends received by a corporation during the taxable year from another corporation, in which the recipient owns 20 percent or more of the stock, by vote and value, not including stock described in section 1504(a)(4) of the Internal Revenue Code when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer or would not be included in the inventory of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of the income and gains therefrom; and

(2)(i) the remaining 20 percent of dividends if the dividends received are the stock in an affiliated company transferred in an overall plan of reorganization and the dividend is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended through December 31, 1989;

(ii) the remaining 20 percent of dividends if the dividends are received from a corporation which is subject to tax under section 290.36 and which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and the dividend is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended through December 31, 1989, or is deducted under an election under section 243(b) of the Internal Revenue Code; or

(iii) the remaining 20 percent of the dividends if the dividends are received from a property and casualty insurer as defined under section 60A.60, subdivision 8, which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and either: (A) the dividend is eliminated in consolidation under Treasury Regulation 1.1502-14(a), as amended through December 31, 1989; or (B) the dividend is deducted under an election under section 243(b) of the Internal Revenue Code.

(b) Seventy percent of dividends received by a corporation during the taxable year from another corporation in which the recipient owns less than 20 percent of the stock, by vote or value, not including stock described in section 1504(a)(4) of the Internal Revenue Code when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of income and gain therefrom.

(c) The dividend deduction provided in this subdivision shall be allowed only with respect to dividends that are included in a corporation's Minnesota taxable net income for the taxable year.

The dividend deduction provided in this subdivision does not apply to a dividend from a corporation which, for the taxable year of the corporation in which the distribution is made or for the next preceding taxable year of the corporation, is a corporation exempt from tax under section 501 of the Internal Revenue Code.

The dividend deduction provided in this subdivision applies to the amount of regulated investment company dividends only to the extent determined under section 854(b) of the Internal Revenue Code.

The dividend deduction provided in this subdivision shall not be allowed with respect to any dividend for which a deduction is not allowed under the provisions of section 246(c) of the Internal Revenue Code.

(d) If dividends received by a corporation that does not have nexus with Minnesota under the provisions of Public Law 86-272 are included as income on the return of an affiliated corporation permitted or required to file a combined report under section 290.34, subdivision 2, then for purposes of this subdivision the determination as to whether the trade or business of the corporation consists principally of the holding of stocks and the collection of income and gains therefrom shall be made with reference to the trade or business of the affiliated corporation having a nexus with Minnesota.

(e) The deduction provided by this subdivision does not apply if the dividends are paid by a FSC as defined in section 922 of the Internal Revenue Code.

(f) If one or more of the members of the unitary group whose income is included on the combined report received a dividend, the deduction under this subdivision for each member of the unitary business required to file a return under this chapter is the product of: (1) 100 percent of the dividends received by members of the group; (2) the percentage allowed pursuant to paragraph (a) or (b); and (3) the percentage of the taxpayer's business income apportionable to this state for the taxable year under section 290.191 or 290.20.

(g) The deduction provided by paragraph (a) does not apply to dividends paid by a corporation that is part of the unitary business for the taxable year for which an election was not made under section 290.17, subdivision 4a.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2006.

Sec. 12. **TRANSITION; POLLUTION CONTROL FACILITIES AMORTIZATION.**

The amount of additions to federal taxable income pursuant to Minnesota Statutes, section 290.01, subdivision 19c(10), that are properly subtractable pursuant to Minnesota Statutes, section 290.01, subdivision 19d(8), for taxable years beginning after December 31, 2006, and have not been subtracted pursuant to subdivision 19d(8), are subtractable in the taxpayer's first taxable year beginning after December 31, 2006.

Sec. 13. **REPEALER.**

(a) Minnesota Statutes 2006, sections 290.01, subdivision 6b; and 290.0921, subdivision 7, are repealed.

(b) Minnesota Statutes 2006, section 290.191, subdivision 4, is repealed.

**EFFECTIVE DATE.** Paragraph (a) of this section is effective for taxable years beginning after December 31, 2006. Paragraph (b) of this section is effective for taxable years beginning after December 31, 2007.

ARTICLE 5

INDIVIDUAL INCOME TAX

Section 1. Minnesota Statutes 2006, 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 ~~May 18, 2006~~ December 31, 2006.

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

Sec. 2. Minnesota Statutes 2006, section 289A.12, subdivision 4, is amended to read:

Subd. 4. **Returns by persons, corporations, cooperatives, governmental entities, or school districts.** (a) The commissioner may by notice and demand require to the extent required by section 6041 of the Internal Revenue Code, a person, corporation, or cooperative, the state of Minnesota and its political subdivisions, and a city, county, and school district in Minnesota, making payments in the regular course of a trade or business during the taxable year to any person or corporation of \$600 or more on account of rents or royalties, or of \$10 or more on account of interest, or \$10 or more on account of dividends or patronage dividends, or \$600 or more on account of either wages, salaries, commissions, fees, prizes, awards, pensions, annuities, or any other fixed or determinable gains, profits or income, not otherwise reportable under section 289A.09, subdivision 2, or on account of earnings of \$10 or more distributed to its members by savings associations or credit unions chartered under the laws of this state or the United States, (1) to file with the commissioner a return (except in cases where a valid agreement to participate in the combined federal and state information reporting system has been entered into, and the return is filed only with the commissioner of internal revenue under the applicable filing and informational reporting requirements of the Internal Revenue Code) with respect to the payments in excess of the amounts named, giving the names and addresses of the persons to whom the payments were made, the amounts paid to each, and (2) to make a return with respect to the total number of payments and total amount of payments, for each category of income named, which were in excess of the amounts named. This subdivision does not apply to the payment of interest or dividends to a person who was a nonresident of Minnesota for the entire year.

(b) For payments for which a return is covered by paragraph (a), regardless of whether the commissioner has required filing under paragraph (a), the payor must file a copy of the return with the commissioner if:

(i) the return is for a payment made to a Minnesota resident, to a recipient with a Minnesota address, or for activity occurring in the state of Minnesota; and

(ii) the payment is for wages, salaries, or other compensation for services provided. The commissioner may require this information to be filed in electronic or another form that the commissioner determines is appropriate, notwithstanding the provisions of paragraph (c).

(c) A person, corporation, or cooperative required to file returns under this subdivision must file the returns on magnetic media if magnetic media was used to satisfy the federal reporting requirement under section 6011(e) of the Internal Revenue Code, unless the person establishes to the satisfaction of the commissioner that compliance with this requirement would be an undue hardship.

**EFFECTIVE DATE.** This section is effective for forms required to be filed by federal law after December 31, 2007.

Sec. 3. Minnesota Statutes 2006, section 290.01, subdivision 19, as amended by Laws 2007, 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 Internal Revenue Code of 1986, as amended through ~~May 18~~ December 31, 2006, shall be in effect for taxable years beginning after December 31, 1996, ~~and before January 1, 2006, and for taxable years beginning after December 31, 2006.~~ The Internal Revenue Code of 1986, as amended through December 31, 2006, is in effect for taxable years beginning after December 31, 2005, and before January 1, 2007.

Except as otherwise provided, references to the Internal Revenue Code in subdivisions 19 to 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. 4. Minnesota Statutes 2006, 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 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 and under the provisions of Public Law 109-1;

(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;

(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;

(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)~~ (13), 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)~~ (13), 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;

(10) job opportunity building zone income as provided under section 469.316;

(11) to the extent included in federal taxable income, 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) to the extent included in federal taxable income, the amount of compensation paid to Minnesota residents who are members of the armed forces of the United States or United Nations for active duty performed outside Minnesota under United States Code, title 10, section 101(d); United States Code, title 32, section 101(12); or the authority of the United Nations;

(13) 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 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 for each instance of organ donation for transplantation during the taxable year in which the qualified expenses occur;

(14) 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 ~~(16)~~ (14), 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 ~~(16)~~ (14), 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;

(15) to the extent included in federal taxable income, compensation paid to a nonresident who is 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); ~~and~~

(16) international economic development zone income as provided under section 469.325-; and

(17) to the extent included in federal taxable income, the amount of national service educational awards received from the National Service Trust under United States Code, title 42, sections 12601 to 12604, for service in an approved AmeriCorps national service program.

**EFFECTIVE DATE.** This section is effective retroactively for tax years beginning after December 31, 2004, except that clause (17) is effective for tax years beginning after December 31, 2006.

Sec. 5. Minnesota Statutes 2006, section 290.01, subdivision 31, as amended by Laws 2007, chapter 1, section 3, is amended to read:

Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, ~~for taxable years beginning before January 1, 2006, and after December 31, 2006,~~ "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through May 18, 2006; ~~and for taxable years beginning after December 31, 2005, and before January 1, 2007,~~ "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 2006.

**EFFECTIVE DATE.** This section is effective the day following final enactment except the changes incorporated by federal changes are effective at the same time as the changes were effective for federal purposes.



Sec. 6. Minnesota Statutes 2006, 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~~ \$31,150, 5.35 percent;
- (2) On all over ~~\$25,680~~ \$31,150, but not over ~~\$102,030~~ \$123,750, 7.05 percent;
- (3) On all over ~~\$102,030~~ \$123,750, but not over \$400,000, 7.85 percent;
- (4) On all over \$400,000, 9 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~~ \$21,310, 5.35 percent;
- (2) On all over ~~\$17,570~~ \$21,310, but not over ~~\$57,710~~ \$69,990, 7.05 percent;
- (3) On all over ~~\$57,710~~ \$69,990, but not over \$226,230, 7.85 percent;
- (4) On all over \$226,230, 9 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~~ \$26,230, 5.35 percent;
- (2) On all over ~~\$21,630~~ \$26,230, but not over ~~\$86,910~~ \$105,410, 7.05 percent;
- (3) On all over ~~\$86,910~~ \$105,410, but not over \$340,720, 7.85 percent;
- (4) On all over \$340,720, 9 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), (6), (7), (8), and (9), and reduced by the Minnesota assignable portion of the subtraction for United States government interest under section 290.01, subdivision 19b, clause (1), and the subtractions under section 290.01, subdivision 19b, clauses (9), (10), (14), (15), and (16), 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), (6), (7), (8), and (9), and reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1), (9), (10), (14), (15), and (16).

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2006.

Sec. 7. Minnesota Statutes 2006, section 290.06, subdivision 2d, is amended to read:

Subd. 2d. **Inflation adjustment of brackets.** (a) For taxable years beginning after December 31, ~~2000~~ 2007, the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage determined under paragraph (b). For the purpose of making the adjustment as provided in this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets as they existed for taxable years beginning after December 31, ~~1999~~ 2006, and before January 1, ~~2001~~ 2008. The rate applicable to any rate bracket must not be changed. The dollar amounts setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in \$5, it must be rounded up to the nearest \$10 amount.

(b) The commissioner shall adjust the rate brackets and by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "~~1999~~" "2006" shall be substituted for the word "1992." For ~~2001~~ 2008, the commissioner shall then determine the percent change from the 12 months ending on August 31, ~~1999~~ 2006, to the 12 months ending on August 31, ~~2000~~ 2007, and in each subsequent year, from the 12 months ending on August 31, ~~1999~~ 2006, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14.

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

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2006.

Sec. 8. Minnesota Statutes 2006, section 290.06, is amended by adding a subdivision to read:

Subd. 34. **Dairy investment credit.** (a) A dairy investment credit is allowed against the tax due under this chapter equal to ten percent of the amount paid or incurred by the taxpayer, on the first \$500,000 of qualifying expenditures made in the qualifying period by a person who raises dairy animals in this state.

(b) For purposes of this subdivision, "qualifying expenditures" means the amount spent for:

(1) the acquisition, construction, or improvement of buildings or facilities, if related to dairy animals;

(2) the development of pasture owned or rented by the taxpayer for the use of dairy animals; or

(3) the acquisition of equipment for dairy animal housing, for confinement, for animal feeding, for production and delivery of milk and other dairy products, and for waste management, including the following, if related to dairy animals in this state:

(i) freestall barns;

(ii) fences;

(iii) watering facilities;

(iv) feed storage and handling equipment;

(v) milking parlors;

(vi) robotic equipment;

(vii) scales;

(viii) milk storage and cooling facilities;

(ix) bulk tanks;

(x) manure pumping and storage facilities;

(xi) digesters;

(xii) equipment used to produce energy; and

(xiii) on-farm processing and refrigerated trucks for delivery of milk and other dairy products.

Qualifying expenditures, other than expenditures for development of pasture, only include amounts that are capitalized and deducted under either section 167 or 179 of the Internal Revenue Code in computing federal taxable income. Qualifying expenditures for development of pasture must not include land acquisition and are limited to soil preparation expenses, seed costs, planting costs, and weed control, which are allowed once for each acre owned or rented by the taxpayer for the use of dairy animals and developed into pasture during the qualifying period.

(c) The credit is limited to the liability for tax, as computed under this chapter for the taxable year. 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) The qualifying period is that time after December 31, 2006, and before January 1, 2013.

(e) The \$50,000 maximum credit applies at the entity level for partnerships, S corporations, trusts, and estates as well as at the individual level. In the case of married individuals, the credit is limited to \$50,000 for a married couple.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2006.

Sec. 9. Minnesota Statutes 2006, 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~~ 13 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~~ 13 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 (10) or (16), 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."

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 taxable years beginning after December 31, 2006.

Sec. 10. Minnesota Statutes 2006, section 290.0677, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** (a) An individual is allowed a credit against the tax due under this chapter equal to \$59 for each month or portion thereof that the individual was in active military service in a designated area after September 11, 2001, and before January 1, 2007, while a Minnesota domiciliary.

(b) An individual is allowed a credit against the tax due under this chapter equal to \$120 for each month or portion thereof that the individual was in active military service in a designated area after December 31, 2006, while a Minnesota domiciliary.

(c) For active service performed after September 11, 2001, and before December 31, 2006, the individual may claim the credit in the taxable year beginning after December 31, 2005, and before January 1, 2007.

~~(c)~~ (d) For active service performed after December 31, 2006, the individual may claim the credit for the taxable year in which the active service was performed.

~~(d) (e) If a Minnesota domiciliary is killed while performing active military service in a designated area, the individual's surviving spouse or dependent child may take the credit in the taxable year of the death. If a Minnesota domiciliary was killed while performing active military service in a designated area between September 11, 2001, and December 31, 2006, the individual's surviving spouse or dependent child may claim this credit in the taxable year beginning after December 31, 2005, and before January 1, 2007. If an individual entitled to the credit died prior to January 1, 2006, the individual's estate or heirs at law, if the individual's probate estate has closed or the estate was not probated, may claim the credit.~~

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2006, except that paragraph (e) is effective retroactively for tax years beginning after December 31, 2005.

Sec. 11. **[290.0678] CREDIT FOR HISTORIC STRUCTURE REHABILITATION.**

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

(b) "Certified historic structure" has the meaning given in section 47(c)(3)(A) of the Internal Revenue Code.

Subd. 2. **Credit allowed; certified historic structure.** A taxpayer who claims a credit under section 47(a)(2) of the Internal Revenue Code for the taxable year is allowed a credit against the tax due under this chapter for rehabilitation of a certified historic structure that is located in Minnesota. The credit is equal to 100 percent of the credit allowed for rehabilitation of a certified historic structure under section 47(a)(2) of the Internal Revenue Code, but is limited to credits generated by rehabilitation of certified historic structures that are placed in service during the taxable year.

Subd. 3. **Partnerships; multiple owners.** Credits granted to a partnership, a limited liability company taxed as a partnership, or multiple owners of property shall be passed through to the partners, members, or owners, respectively, pro rata to each partner, member, or owner based on their share of the entity's assets.

Subd. 4. **Credit refundable.** If the amount of credit that the taxpayer is eligible to receive under this section exceeds the liability for tax under this chapter, the commissioner shall refund the excess to the claimant.

Subd. 5. **Appropriation.** An amount sufficient to pay the refunds authorized under this section is appropriated to the commissioner of revenue from the general fund.

Subd. 6. **Manner of claiming.** The commissioner shall prescribe the manner in which the credit may be issued or claimed. This may include allowing the credit only as a separately processed claim for refund.

Subd. 7. **Report; determination of economic impact.** The Minnesota Historical Society shall annually determine the economic impact to the state from the rehabilitation of property for which credits are provided under this section and provide a written report on the impact to the committees on taxes of the senate and house of representatives, in compliance with sections 3.195 and 3.197.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2006.

Sec. 12. Minnesota Statutes 2006, 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, 2006, the exemption determined under section 55(d) of the Internal Revenue Code, as amended through December 31, 1992; and~~

~~(2),~~ for taxable years beginning after December 31, 2005, \$60,000 for married couples filing joint returns, \$30,000 for married individuals filing separate returns, estates, and trusts, and \$45,000 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, and the income threshold used in the phaseout must be adjusted for inflation as provided in paragraph (c).

(c) For taxable years beginning after December 31, 2006, the exemption amount under paragraph (a), clause (2), and the income threshold for the phaseout under paragraph (b) 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, 2005, and ending August 31, 2006, as the base year for adjusting for inflation for the tax year beginning after December 31, 2006. The commissioner shall adjust the exemption amount and phaseout threshold by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "2005" shall be substituted for the word "1992." For 2007, the commissioner shall then determine the percentage change from the 12 months ending on August 31, 2005, to the 12 months ending on August 31, 2006, and in each subsequent year, from the 12 months ending on August 31, 2005, to the 12 months ending on August 31 of the year preceding the taxable year. The exemption amount and phaseout threshold as adjusted must be rounded to the nearest \$10. If the amount ends in \$5, it must be rounded up to the nearest \$10 amount. 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, 2006.

Sec. 13. Minnesota Statutes 2006, section 290.17, subdivision 2, is amended to read:

Subd. 2. **Income not derived from conduct of a trade or business.** The income of a taxpayer subject to the allocation rules that is not derived from the conduct of a trade or business must be assigned in accordance with paragraphs (a) to (f):

(a)(1) Subject to paragraphs (a)(2); and (a)(3), ~~and (a)(4)~~, income from wages as defined in section 3401(a) and (f) of the Internal Revenue Code is assigned to this state if, and to the extent that, the work of the employee is performed within it; all other income from such sources is treated as income from sources without this state.

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

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

(i) The amount of income to be assigned to Minnesota for an individual who is a nonresident salaried athletic team employee shall be determined by using a fraction in which the denominator contains the total number of days in which the individual is under a duty to perform for the employer, and the numerator is the total number of those days spent in Minnesota. For purposes of this paragraph, off-season training activities, unless conducted at the team's facilities as part of a team imposed program, are not included in the total number of duty days. Bonuses earned as a result of play during the regular season or for participation in championship, play-off, or all-star games must be allocated under the formula. Signing bonuses are not subject to allocation under the formula if they are not conditional on playing any games for the team, are payable separately from any other compensation, and are nonrefundable; and

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

(3) For purposes of this section, amounts received by a nonresident as "retirement income" as defined in section (b)(1) of the State Income Taxation of Pension Income Act, Public Law 104-95, are not considered income derived from carrying on a trade or business or from wages or other compensation for work an employee performed in Minnesota, and are not taxable under this chapter.

~~(4) Wages, otherwise assigned to this state under clause (1) and not qualifying under clause (3), are not taxable under this chapter if the following conditions are met:~~

~~(i) the recipient was not a resident of this state for any part of the taxable year in which the wages were received; and~~

~~(ii) the wages are for work performed while the recipient was a resident of this state.~~

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

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

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

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

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

(d) Income from winnings on a bet made by an individual while in Minnesota is assigned to this state. In this paragraph, "bet" has the meaning given in section 609.75, subdivision 2, as limited by section 609.75, subdivision 3, clauses (1), (2), and (3).

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

(f) For the purposes of this section, working as an employee shall not be considered to be conducting a trade or business.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2006.

Sec. 14. Minnesota Statutes 2006, section 290.92, is amended by adding a subdivision to read:

**Subd. 31. Payments to persons who are not employees.** (a) For purposes of this subdivision, "contractor" means a person carrying on a trade or business described in industry code numbers 23 through 238990 of the North American Industry Classification System.

(b) A contractor who makes payments to an individual, other than an employee, for work must deduct and withhold two percent of the payment as Minnesota withholding tax when the amount the contractor paid to that individual during the calendar year exceeds \$600.

(c) A payment subject to withholding under this subdivision must be treated as if the payment were a wage paid by an employer to an employee. The requirements in the definitions of "employee" and "employer" in subdivision 1 relating to geographic location apply in determining whether withholding tax applies under this subdivision, but without regard to whether the contractor or the individual otherwise satisfy the definition of an employer or an employee. Each recipient of a payment subject to withholding under this subdivision must furnish the contractor with a statement of the recipient's name, address, and Social Security account number.

(d) By February 1 of each year the commissioner must report to the committees of the house and senate with jurisdiction over taxes, in compliance with Minnesota Statutes, sections 3.195 and 3.197, on withholding payments received under this section. The report must include information on the number and amount of payments received, and on the types of contractors making payments, grouped by specialty skills definitions provided in the North American Industry Classification System.

**EFFECTIVE DATE.** This section is effective for payments made after July 31, 2007.



Sec. 15. Minnesota Statutes 2006, section 290A.03, subdivision 15, as amended by Laws 2007, chapter 1, section 4, is amended to read:

Subd. 15. **Internal Revenue Code.** ~~For taxable years beginning before January 1, 2006, and after December 31, 2006, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through May 18, 2006; and for taxable years beginning after December 31, 2005, and before January 1, 2007, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 2006.~~

**EFFECTIVE DATE.** This section is effective for property tax refunds based on property taxes payable on or after December 31, 2006, and rent paid on or after December 31, 2005.

## ARTICLE 6

### SALES AND USE TAXES

Section 1. Minnesota Statutes 2006, section 37.13, is amended by adding a subdivision to read:

Subd. 3. **Capital improvements.** The society shall spend the amount of sales tax retained under section 289A.31, subdivision 7, paragraph (f), exclusively to make capital improvements to state-owned buildings and facilities on the State Fairgrounds. The society shall match the amount retained with an equal amount from proceeds from special assessments levied against commercial exhibits, concessions, and rentals, and other special user fees specifically designated for capital improvements.

Sec. 2. Minnesota Statutes 2006, section 289A.31, subdivision 7, is amended to read:

Subd. 7. **Sales and use tax.** (a) The sales and use tax required to be collected by the retailer under chapter 297A constitutes a debt owed by the retailer to Minnesota, and the sums collected must be held as a special fund in trust for the state of Minnesota.

A retailer who does not maintain a place of business within this state as defined by section 297A.66, subdivision 1, shall not be indebted to Minnesota for amounts of tax that it was required to collect but did not collect unless the retailer knew or had been advised by the commissioner of its obligation to collect the tax.

(b) The use tax required to be paid by a purchaser is a debt owed by the purchaser to Minnesota.

(c) The tax imposed by chapter 297A, and interest and penalties, is a personal debt of the individual required to file a return from the time the liability arises, irrespective of when the time for payment of that liability occurs. The debt is, in the case of the executor or administrator of the estate of a decedent and in the case of a fiduciary, that of the individual in an official or fiduciary capacity unless the individual has voluntarily distributed the assets held in that capacity without reserving sufficient assets to pay the tax, interest, and penalties, in which case the individual is personally liable for the deficiency.

(d) Liability for payment of sales and use taxes includes any responsible person or entity described in the personal liability provisions of section 270C.56.

(e) Any amounts collected, even if erroneously or illegally collected, from a purchaser under a representation that they are taxes imposed under chapter 297A are state funds from the time of collection and must be reported on a return filed with the commissioner.

(f) The tax imposed under chapter 297A on sales of tickets to the premises of or events sponsored by the Minnesota State Agricultural Society and conducted on the State Fairgrounds during the period of annual State Fair may be retained by the Minnesota State Agricultural Society if the funds are used and matched as required under section 37.13, subdivision 3.

**EFFECTIVE DATE.** This section is effective for sales and purchases after June 30, 2007.

Sec. 3. Minnesota Statutes 2006, section 297A.61, subdivision 12, is amended to read:

Subd. 12. **Farm machinery.** (a) "Farm machinery" means new or used machinery, equipment, implements, accessories, and contrivances used directly and principally in agricultural production of tangible personal property intended to be sold ultimately at retail including, but not limited to:

(1) machinery for the preparation, seeding, or cultivation of soil for growing agricultural crops;

(2) barn cleaners, milking systems, grain ~~dryers~~, ~~drying systems~~, ~~grain bins~~, feeding systems including stationary feed bunks, and similar installations, whether or not the equipment is installed by the seller and becomes part of the real property; and

(3) irrigation equipment sold for exclusively agricultural use, including pumps, pipe fittings, valves, sprinklers, and other equipment necessary to the operation of an irrigation system when sold as part of an irrigation system, whether or not the equipment is installed by the seller and becomes part of the real property.

(b) Farm machinery does not include:

(1) repair or replacement parts;

(2) tools, shop equipment, ~~grain bins~~, fencing material, communication equipment, and other farm supplies;

(3) motor vehicles taxed under chapter 297B;

(4) snowmobiles or snow blowers;

(5) lawn mowers except those used in the production of sod for sale, or garden-type tractors or garden tillers; or

(6) machinery, equipment, implements, accessories, and contrivances used directly in the production of horses not raised for slaughter, fur-bearing animals, or research animals.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2007.

Sec. 4. Minnesota Statutes 2006, section 297A.668, is amended by adding a subdivision to read:

Subd. 8. **Manufactured and modular housing.** (a) Notwithstanding other subdivisions of this section, a sale of a manufactured or modular home shall be sourced to the site where the housing is first set up or installed.

(b) For purposes of this section, "manufactured home" has the meaning given in section 327.31, subdivision 6. For purposes of this section, "modular home" means a building or structural unit that has been substantially manufactured or constructed, in whole or in part, at an off-site location, with the final assembly occurring on-site alone or with other units and attached to a permanent foundation site and occupied as a single-family dwelling.

Modular home construction must comply with applicable standards adopted in Minnesota Rules authorized under chapter 16B. A modular home does not include a structure subject to the requirements of the National Manufactured Home Construction and Safety Standards Act of 1974 or a manufactured home.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2007.

Sec. 5. Minnesota Statutes 2006, section 297A.67, subdivision 7, is amended to read:

Subd. 7. **Drugs; medical devices.** (a) Sales of the following drugs and medical devices are exempt:

- (1) drugs for human use, including over-the-counter drugs;
- (2) single-use finger-pricking devices for the extraction of blood and other single-use devices and single-use diagnostic agents used in diagnosing, monitoring, or treating diabetes;
- (3) insulin and medical oxygen for human use, regardless of whether prescribed or sold over the counter;
- (4) prosthetic devices;
- (5) durable medical equipment for home use only;
- (6) mobility enhancing equipment; ~~and~~
- (7) prescription corrective eyeglasses; and
- (8) kidney dialysis equipment, including repair and replacement parts.

(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.

(7) "Kidney dialysis equipment" means equipment that:

(i) is used to remove waste products that build up in the blood when the kidneys are not able to do so on their own; and

(ii) can withstand repeated use, including multiple use by a single patient.

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

Sec. 6. Minnesota Statutes 2006, section 297A.68, is amended by adding a subdivision to read:

Subd. 42. **Agricultural feed processing facility; capital equipment.** Capital equipment purchased by a contractor for incorporation into an agricultural feed processing facility is exempt from sales tax when purchased by the contractor if the following conditions are met:

(1) the equipment would meet the definition of capital equipment under subdivision 5 if purchased by the user instead of the contractor;

(2) the equipment was incorporated into a facility that was constructed in part to replace manufacturing capability destroyed in a fire; and

(3) the processing facility is located in the city of Freeport.

The user of the equipment must apply for the refund and the maximum amount of the refund is limited to \$70,000. Refund provisions for taxes paid under subdivision 5 apply.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2002, and before December 31, 2003.

Sec. 7. Minnesota Statutes 2006, section 297A.69, subdivision 2, is amended to read:

Subd. 2. **Materials consumed in agricultural production.** Materials stored, used, or consumed in agricultural production of personal property intended to be sold ultimately at retail are exempt, whether or not the item 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) feeds, seeds, trees, fertilizers, and herbicides, including when purchased for use by farmers in a federal or state farm or conservation program;

(2) materials sold to a veterinarian to be used or consumed in the care, medication, and treatment of agricultural production animals and horses;

(3) chemicals, including chemicals used for cleaning food processing machinery and equipment;

(4) materials, including chemicals, fuels, and electricity purchased by persons engaged in agricultural production to treat waste generated as a result of the production process;

(5) fuels, electricity, gas, and steam used or consumed in the production process, ~~except that including 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 of facilities housing agricultural animals;~~

(6) petroleum products and lubricants;

(7) packaging materials, including returnable containers used in packaging food and beverage products; and

(8) accessory tools and equipment that are separate detachable units with an ordinary useful life of less than 12 months used in producing a direct effect upon the product.

Machinery, equipment, implements, tools, accessories, appliances, contrivances, and furniture and fixtures, except those listed in this clause are not included within this exemption.

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

Sec. 8. Minnesota Statutes 2006, section 297A.69, subdivision 3, is amended to read:

Subd. 3. **Repair and replacement parts.** Repair and replacement parts, ~~except tires,~~ used for maintenance or repair of farm machinery, logging equipment, and aquaculture production equipment are exempt, if the part replaces a machinery part assigned a specific or generic part number by the manufacturer of the machinery.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2007.

Sec. 9. Minnesota Statutes 2006, section 297A.70, subdivision 3, is amended to read:

Subd. 3. **Sales of certain goods and services to government.** (a) The following sales to or use by the specified governments and political subdivisions of the state are exempt:

(1) repair and replacement parts for emergency rescue vehicles, fire trucks, and fire apparatus to a political subdivision;

(2) machinery and equipment, except for motor vehicles, used directly for mixed municipal solid waste management services at a solid waste disposal facility as defined in section 115A.03, subdivision 10;

(3) chore and homemaking services to a political subdivision of the state to be provided to elderly or disabled individuals;

(4) telephone services to the Department of Administration that are used to provide telecommunications services through the intertechnologies revolving fund;

(5) firefighter personal protective equipment as defined in paragraph (b), if purchased or authorized by and for the use of an organized fire department, fire protection district, or fire company regularly charged with the responsibility of providing fire protection to the state or a political subdivision;

(6) bullet-resistant body armor that provides the wearer with ballistic and trauma protection, if purchased by a law enforcement agency of the state or a political subdivision of the state, or a licensed peace officer, as defined in section 626.84, subdivision 1;

(7) motor vehicles purchased or leased by political subdivisions of the state if the vehicles are exempt from registration under section 168.012, subdivision 1, paragraph (b), exempt from taxation under section 473.448, or exempt from the motor vehicle sales tax under section 297B.03, clause (12);

(8) equipment designed to process, dewater, and recycle biosolids for wastewater treatment facilities of political subdivisions, and materials incidental to installation of that equipment;

(9) sales to a town of gravel and of machinery, equipment, and accessories, except motor vehicles, used exclusively for road and bridge maintenance, and leases by a town of motor vehicles exempt from tax under section 297B.03, clause (10); ~~and~~

(10) the removal of trees, bushes, or shrubs for the construction and maintenance of roads, trails, or firebreaks when purchased by an agency of the state or a political subdivision of the state; and

(11) the sale of railroad cars and engines and related equipment, including repair parts, used in a commuter rail transportation system operated under sections 174.80 to 174.90.

(b) For purposes of this subdivision, "firefighters personal protective equipment" means helmets, including face shields, chin straps, and neck liners; bunker coats and pants, including pant suspenders; boots; gloves; head covers or hoods; wildfire jackets; protective coveralls; goggles; self-contained breathing apparatus; canister filter masks; personal alert safety systems; spanner belts; optical or thermal imaging search devices; and all safety equipment required by the Occupational Safety and Health Administration.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after December 31, 2006.

Sec. 10. Minnesota Statutes 2006, section 297A.70, subdivision 8, is amended to read:

Subd. 8. **Regionwide public safety radio communication system; products and services.** Products and services including, but not limited to, end user equipment used for construction, ownership, operation, maintenance, and enhancement of the backbone system of the regionwide public safety radio communication system established under sections 403.21 to ~~403.34~~ 403.40, are exempt. For purposes of this subdivision, backbone system is defined in section 403.21, subdivision 9. This subdivision is effective for purchases, sales, storage, use, or consumption for use in the first and second phases of the system, as defined in section 403.21, subdivisions 3, 10, and 11, ~~and that portion of the third phase of the system that is located in the southeast district of the State Patrol and the counties of Benton, Sherburne, Stearns, and Wright, and that portion of the system that is located in Itasca County.~~

Sec. 11. Minnesota Statutes 2006, section 297A.70, is amended by adding a subdivision to read:

Subd. 17. **Sales to fire departments.** All sales of tangible personal property to, or authorized by and for the use of, an independent, nonprofit firefighting corporation or a statutorily created or municipal fire department that are used directly in providing emergency response services and emergency response training are exempt.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2007.

Sec. 12. Minnesota Statutes 2006, section 297A.71, subdivision 23, is amended to read:

Subd. 23. **Construction materials for qualified low-income housing projects.** (a) Purchases of materials and supplies used or consumed in and equipment incorporated into the construction, improvement, or expansion of qualified low-income housing projects are exempt from the tax imposed under this chapter if the owner of the qualified low-income housing project is:

- (1) the public housing agency or housing and redevelopment authority of a political subdivision;
- (2) an entity exercising the powers of a housing and redevelopment authority within a political subdivision;
- (3) a limited partnership in which the sole or managing general partner is an authority under clause (1) or an entity under clause (2) or (4);
- (4) 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; or
- (5) an owner entity, as defined in Code of Federal Regulations, title 24, part 941.604, for a qualified low-income housing project described in paragraph (b), clause (5).

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

(b) For purposes of this exemption, "qualified low-income housing project" means:

- (1) a housing or mixed use project in which at least 20 percent of the residential units are qualifying low-income rental housing units as defined in section 273.126;
- (2) a federally assisted low-income housing project financed by a mortgage insured or held by the United States Department of Housing and Urban Development under United States Code, title 12, section 1701s, 1715l(d)(3), 1715l(d)(4), or 1715z-1; United States Code, title 42, section 1437f; the Native American Housing Assistance and Self-Determination Act, United States Code, title 25, section 4101 et seq.; or any similar successor federal low-income housing program;

(3) a qualified low-income housing project as defined in United States Code, title 26, section 42(g), meeting all of the requirements for a low-income housing credit under section 42 of the Internal Revenue Code regardless of whether the project actually applies for or receives a low-income housing credit;

(4) a project that will be operated in compliance with Internal Revenue Service revenue procedure 96-32; or

(5) a housing or mixed use project in which all or a portion of the residential units are subject to the requirements of section 5 of the United States Housing Act of 1937.

(c) For a project, a portion of which is not used for low-income housing units, the amount of purchases that are exempt under this subdivision must be determined by multiplying the total purchases, as specified in paragraph (a), by the ratio of:

(1) the total gross square footage of units subject to the income limits under section 273.126, the financing for the project, the federal low-income housing tax credit, revenue procedure 96-32, or section 5 of the United States Housing Act of 1937, as applicable to the project; and

(2) the total gross square footage of all units in the project.

(d) 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, 2007.

Sec. 13. Minnesota Statutes 2006, section 297A.71, is amended by adding a subdivision to read:

Subd. 40. **Brainerd and Baxter wastewater treatment facility.** Materials and supplies used in, and equipment incorporated into, the construction of a joint wastewater treatment facility servicing the cities of Brainerd and Baxter are partially exempt. This exemption is for purchases made before July 1, 2010. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied. The cities must apply for a refund of 50 percent of taxes paid on purchases partially exempt under this subdivision as provided under section 297A.75.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 1, 2007.

Sec. 14. Minnesota Statutes 2006, section 297A.71, is amended by adding a subdivision to read:

Subd. 41. **Baxter water treatment facility.** Materials and supplies used in, and equipment incorporated into, the construction of a water treatment facility owned by the city of Baxter are partially exempt. This exemption is for purchases made before July 1, 2009. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied. The city must apply for a refund of 50 percent of the taxes paid on purchases partially exempt under this subdivision as provided under section 297A.75.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after May 1, 2007.

Sec. 15. Minnesota Statutes 2006, section 297A.71, is amended by adding a subdivision to read:

Subd. 42. **Buffalo wastewater treatment facility.** Materials and supplies used in, and equipment incorporated into, the construction, improvement, or expansion of a wastewater treatment facility owned by the city of Buffalo are partially exempt. This section is effective for purchases made before December 31, 2008. The tax must be



imposed and collected as if the rate under section 297A.62, subdivision 1, applied. The city must apply for a refund of 50 percent of the taxes paid on purchases partially exempt under this subdivision as provided under section 297A.75.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after March 1, 2007.

Sec. 16. Minnesota Statutes 2006, section 297A.71, is amended by adding a subdivision to read:

Subd. 43. **Burnsville surface water treatment plant.** Materials and supplies used or consumed in, and equipment incorporated into, the construction, improvement, installation, or repair of facilities and improvements associated with a surface water treatment plant project located within and owned by the city of Burnsville are partially exempt. This exemption is for purchases made before January 1, 2010. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied. The city must apply for a refund of 50 percent of the taxes paid on purchases partially exempt under this subdivision as provided in section 297A.75.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after March 15, 2007.

Sec. 17. Minnesota Statutes 2006, section 297A.71, is amended by adding a subdivision to read:

Subd. 44. **Emily; wastewater treatment facility.** Materials and supplies used in and equipment incorporated into the construction of a wastewater treatment facility in the city of Emily are partially exempt. This exemption is for purchases made before January 1, 2007. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied. The city must apply for a refund of 50 percent of any tax paid on purchases partially exempt under this subdivision as provided in section 297A.75.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after January 1, 2005.

Sec. 18. Minnesota Statutes 2006, section 297A.71, is amended by adding a subdivision to read:

Subd. 45. **Goodview; water treatment facilities.** Materials and supplies used in, and equipment incorporated into, the construction and expansion of up to two water treatment facilities in the city of Goodview are partially exempt. This exemption is for purchases made before January 1, 2009. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied. The city must apply for a refund of 50 percent of the taxes paid on purchases partially exempt under this subdivision as provided in section 297A.75.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2007.

Sec. 19. Minnesota Statutes 2006, section 297A.71, is amended by adding a subdivision to read:

Subd. 46. **Harris wastewater treatment facility.** Materials and supplies used in, and equipment incorporated into, the construction of a wastewater treatment facility and a water treatment plant owned by the city of Harris are exempt. This exemption is effective for purchases made after May 31, 2006, and on or before June 30, 2008. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied. The city must apply for a refund of 100 percent of the taxes paid on purchases exempt under this subdivision as provided in section 297A.75.

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

Sec. 20. Minnesota Statutes 2006, section 297A.71, is amended by adding a subdivision to read:

Subd. 47. **Milaca water treatment facility.** Materials and supplies used in, and equipment incorporated into, the construction of a water treatment facility owned by the city of Milaca are partially exempt. This exemption is for purchases made before February 15, 2007. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied. The city must apply for a refund of 50 percent of the taxes paid on purchases partially exempt under this subdivision as provided in section 297A.75.

**EFFECTIVE DATE.** This section is effective for sales and purchases made before February 15, 2007.

Sec. 21. Minnesota Statutes 2006, section 297A.71, is amended by adding a subdivision to read:

Subd. 48. **Minnetonka water treatment facility; sales tax exemption.** Materials and supplies used in, and equipment incorporated into, the construction of a water treatment facility owned by the city of Minnetonka are partially exempt from the sales and use tax under this chapter. This exemption is for purchases made before December 31, 2006. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied. The city must apply for a refund of 50 percent of the taxes paid on purchases partially exempt under this subdivision as provided in section 297A.75.

**EFFECTIVE DATE.** This section is effective for sales and purchases made before December 31, 2006.

Sec. 22. Minnesota Statutes 2006, section 297A.71, is amended by adding a subdivision to read:

Subd. 49. **New Prague wastewater treatment facility.** Materials and supplies used in, and equipment incorporated into, the construction, improvement, and expansion of a wastewater treatment facility owned by the city of New Prague is partially exempt. This exemption is effective for purchases made on or before December 31, 2008. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied. The city must apply for a refund of 50 percent of the taxes paid on purchases partially exempt under this subdivision as provided in section 297A.75.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2007.

Sec. 23. Minnesota Statutes 2006, section 297A.71, is amended by adding a subdivision to read:

Subd. 50. **New York Mills wastewater treatment facility.** Materials and supplies used in, and equipment incorporated into, the construction of a wastewater treatment facility owned by the city of New York Mills are partially exempt. This exemption is for purchases made before January 1, 2008. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied. The city must apply for a refund of 50 percent of the taxes paid on purchases exempt under this subdivision as provided in section 297A.75.

**EFFECTIVE DATE.** This section is effective for sales and purchases made before January 1, 2008.

Sec. 24. Minnesota Statutes 2006, section 297A.71, is amended by adding a subdivision to read:

Subd. 51. **Pelican Rapids wastewater treatment facility.** Materials and supplies used in, and equipment incorporated into, the improvement and expansion of a wastewater treatment facility owned by the city of Pelican Rapids are partially exempt. This exemption is effective for purchases made on or before December 31, 2008. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied. The city must apply for a refund of 50 percent of the taxes paid on purchases partially exempt under this subdivision as provided in section 297A.75.

**EFFECTIVE DATE.** This section is effective for sales and purchases made beginning on the day following final enactment.

Sec. 25. Minnesota Statutes 2006, section 297A.71, is amended by adding a subdivision to read:

Subd. 52. **Princeton; wastewater treatment facility.** Materials and supplies used in, and equipment incorporated into, the construction and expansion of a wastewater treatment facility, including construction of a phosphorous reduction facility, in the city of Princeton are partially exempt. This exemption is for purchases made before January 1, 2012. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied. The city must apply for a refund of 50 percent of the taxes paid on purchases partially exempt under this subdivision as provided in section 297A.75.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after the day following final enactment.

Sec. 26. Minnesota Statutes 2006, section 297A.71, is amended by adding a subdivision to read:

Subd. 53. **Willmar wastewater treatment facility.** Materials and supplies used in, and equipment incorporated into, the construction, improvement, or expansion of a wastewater treatment facility owned by the city of Willmar are partially exempt. This exemption is effective for purchases made before July 1, 2012. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied. The city must apply for a refund of 50 percent of the taxes paid on purchases exempt under this subdivision as provided in section 297A.75.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2007.

Sec. 27. Minnesota Statutes 2006, section 297A.71, is amended by adding a subdivision to read:

Subd. 54. **Bioscience research facilities.** (a) Building materials and supplies used or consumed in, and equipment incorporated into, the construction, improvement, or expansion of bioscience research facilities are exempt, if:

(1) the facilities are utilized by a research institute to conduct cancer research under a collaboration agreement with the Mayo Clinic;

(2) the institute is an independent research unit of the University of Minnesota; and

(3) the facilities are owned by a public foundation.

(b) 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.

(c) This subdivision is effective for sales and purchases occurring after June 30, 2006, and before January 1, 2009.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to sales and purchases made after June 30, 2006, and before January 1, 2009.

Sec. 28. Minnesota Statutes 2006, section 297A.71, is amended by adding a subdivision to read:

Subd. 55. **Biobusiness center.** Materials, supplies, used or consumed in, and equipment incorporated into, the initial construction of a biobusiness center and related infrastructure in the city of Rochester for which the city received funding for the related infrastructure under Laws 2006, chapter 258, section 21, subdivision 7, are exempt.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2007.

Sec. 29. Minnesota Statutes 2006, section 297A.75, subdivision 1, is amended to read:

Subdivision 1. **Tax imposed and 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) elevators and 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;~~
- ~~(9)~~ (8) materials and supplies for qualified low-income housing under section 297A.71, subdivision 23;
- ~~(40)~~ (9) materials, supplies, and equipment for municipal electric utility facilities under section 297A.71, subdivision 35;
- ~~(44)~~ (10) equipment and materials used for the generation, transmission, and distribution of electrical energy and an aerial camera package exempt under section 297A.68, subdivision 37; ~~and~~
- ~~(42)~~ (11) tangible personal property and taxable services and construction materials, supplies, and equipment exempt under section 297A.68, subdivision 41; ~~and~~
- (12) building materials, supplies, and equipment of bioscience research facilities exempt under section 297A.71, subdivision 54.

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

Sec. 30. Minnesota Statutes 2006, section 297A.75, is amended by adding a subdivision to read:

Subd. 1a. **Tax collected; other.** For taxes collected on purchases exempted under sections 13 to 26, the percentage of the tax listed in each section must be refunded as provided in this section.

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

Sec. 31. Minnesota Statutes 2006, section 297A.75, subdivision 2, is amended to read:

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

- (1) for subdivision 1, clauses (1) to (3), the applicant must be the purchaser;
- (2) for ~~subdivision~~ subdivisions 1, clauses (4), ~~and (7), and (8); and 1a~~, the applicant must be the governmental subdivision;
- (3) for subdivision 1, clause (5), the applicant must be the recipient of the benefits provided in United States Code, title 38, chapter 21;
- (4) for subdivision 1, clause (6), the applicant must be the owner of the homestead property;
- (5) for subdivision 1, clause ~~(9)~~ (8), the owner of the qualified low-income housing project;
- (6) for subdivision 1, clause ~~(10)~~ (9), the applicant must be a municipal electric utility or a joint venture of municipal electric utilities; ~~and~~
- (7) for subdivision 1, clauses ~~(11) and (12)~~ (10) and (11), the owner of the qualifying business; ~~and~~
- (8) for subdivision 1, clause (12), the public foundation.

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

Sec. 32. Minnesota Statutes 2006, section 297A.75, subdivision 3, is amended to read:

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

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

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

Sec. 33. Minnesota Statutes 2006, 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 enacted prior to January 1, 2008, or if the political subdivision enacted and imposed the tax before the effective date of section 477A.016 and its predecessor provision.

(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.

(d) No political subdivision may use its funds to advertise, promote, or hold a referendum to support imposing a general sales tax unless authorized by a special law enacted prior to January 1, 2008.

(e) No political subdivision may seek the authority to impose a general sales tax after January 1, 2008.

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

Sec. 34. Minnesota Statutes 2006, section 297B.03, is amended to read:

**297B.03 EXEMPTIONS.**

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

(1) purchase or use, including use under a lease purchase agreement or installment sales contract made pursuant to section 465.71, of any motor vehicle by the United States and its agencies and instrumentalities and by any person described in and subject to the conditions provided in section 297A.67, subdivision 11;

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

(3) purchase or use of any motor vehicle by any person making a valid election to be taxed under the provisions of section 297A.90;

(4) purchase or use of any motor vehicle previously registered in the state of Minnesota when such transfer constitutes a transfer within the meaning of section 118, 331, 332, 336, 337, 338, 351, 355, 368, 721, 731, 1031, 1033, or 1563(a) of the Internal Revenue Code of 1986, as amended through December 31, 1999;

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

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

(7) purchase of a motor vehicle for use as an ambulance by an ambulance service licensed under section 144E.10;

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

(9) purchase of a ready-mixed concrete truck;

(10) purchase or use of a motor vehicle by a town for use exclusively for road maintenance, including snowplows and dump trucks, but not including automobiles, vans, or pickup trucks;

(11) purchase or use of a motor vehicle by a corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes, except a public school, university, or library, but only if the vehicle is:

(i) a truck, as defined in section 168.011, a bus, as defined in section 168.011, or a passenger automobile, as defined in section 168.011, if the automobile is designed and used for carrying more than nine persons including the driver; and

(ii) intended to be used primarily to transport tangible personal property or individuals, other than employees, to whom the organization provides service in performing its charitable, religious, or educational purpose;

(12) purchase of a motor vehicle for use by a transit provider exclusively to provide transit service is exempt if the transit provider is either (i) receiving financial assistance or reimbursement under section 174.24 or 473.384, or (ii) operating under section 174.29, 473.388, or 473.405;

(13) purchase or use of a motor vehicle by a qualified business, as defined in section 469.310, located in a job opportunity building zone, if the motor vehicle is principally garaged in the job opportunity building zone and is primarily used as part of or in direct support of the person's operations carried on in the job opportunity building zone. The exemption under this clause applies to sales, if the purchase was made and delivery received during the duration of the job opportunity building zone. The exemption under this clause also applies to any local sales and use tax;

(14) purchase of a leased vehicle by the lessee who was a participant in a lease-to-own program from a charitable organization that is:

(i) described in section 501(c)(3) of the Internal Revenue Code; and

(ii) licensed as a motor vehicle lessor under section 168.27, subdivision 4.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2007.

Sec. 35. Laws 1980, chapter 511, section 1, subdivision 2, as amended by Laws 1991, chapter 291, article 8, section 22, and Laws 1998, chapter 389, article 8, section 25, and Laws 2003, First Special Session chapter 21, article 8, section 11, is amended to read:

Subd. 2. Notwithstanding Minnesota Statutes, Section 477A.016, or any other law, ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance, impose an additional sales tax of up to ~~one and one-half~~ two and one-quarter percent on sales transactions which are described in Minnesota Statutes 2000, Section 297A.01, Subdivision 3, Clause (c). When the city council determines that the taxes imposed under this subdivision and under Laws 1998, chapter 389, article 8, section 26 at a rate of one-half of one percent have produced revenue sufficient to pay (1) the debt service on bonds in a principal amount of \$8,000,000 issued for capital improvements to the Duluth Entertainment and Convention Center, and (2) debt service on outstanding bonds originally issued in the principal amount of \$4,970,000 to finance capital improvements to the Great Lakes Aquarium since the imposition of the taxes at the rate of one and one-half percent, the rate of the tax under this subdivision is reduced ~~to~~ by one-half of one percent. The imposition of this tax shall not be subject to voter referendum under either state law or city charter provisions. When the city council determines that the taxes imposed under this subdivision at a rate of three-quarters of one percent and other sources of revenue produce revenue sufficient to pay debt service on bonds in the principal amount of \$37,931,000 plus issuance and discount costs, issued for capital improvements at the Duluth Entertainment and Convention Center, which include a new arena, the rate of tax under this subdivision must be reduced by three-quarters of one percent.

**EFFECTIVE DATE.** This section is effective the day after the governing body of the city of Duluth and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 36. Laws 2005, First Special Session chapter 3, article 5, section 39, is amended to read:

Sec. 39. **CITY OF BEMIDJI.**

Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to the approval of the city voters at the general election held on November 5, 2002, and at the general election held November 7, 2006, the city of Bemidji may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of revenues.** Revenues received from the tax authorized by subdivision 1 must be used for the cost of collecting and administering the tax and to pay for the projects listed in this subdivision:

(1) To pay all or part of the capital or administrative costs of the acquisition, construction, and improvement of parks and trails within the city, as provided for in the city of Bemidji's parks, open space, and trail system plan, adopted by the Bemidji City Council on November 21, 2001. Authorized expenses include, but are not limited to, acquiring property, paying construction expenses related to the development of these facilities and improvements, and securing and paying debt service on bonds or other obligations issued to finance acquisition, construction, improvement, or development of parks and trails within the city of Bemidji.

(2) To pay all or part of the city's share of costs of up to \$50,000,000 plus any associated bond costs, for acquisition, design, and construction of a regional event center. Authorized expenses include, but are not limited to, acquiring property, paying demolition and construction expenses, improving associated infrastructure, and purchasing furniture, fixtures, and equipment for the regional event center, and securing and paying debt service on bonds or other obligations issued to finance the regional event center project.

Subd. 3. **Bonds.** (a) Pursuant to the approval of the city voters at the general election held on November 5, 2002, the city of Bemidji may issue, without an additional election, general obligation bonds of the city in an amount not to exceed \$9,826,000 to pay capital and administrative expenses for the acquisition, construction, improvement, and development of parks and trails as specified in subdivision 2. The debt represented by the bonds must not be included in computing any debt limitations applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal of any interest on the bonds must not be subject to any levy limitations or be included in computing or applying any levy limitation applicable to the city.

(b) Pursuant to the approval of the city voters at the general election held on November 7, 2006, the city of Bemidji may issue, without an additional election, general obligation bonds of the city in an amount not to exceed \$50,000,000 to pay capital and administrative expenses for the acquisition, construction, improvement, and development of the regional event center specified in subdivision 2. The debt represented by the bonds must not be included in computing any debt limitations applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal of any interest on the bonds must not be subject to any levy limitations or be included in computing or applying any levy limitation applicable to the city.

Subd. 4. **Termination of tax.** The tax imposed under subdivision 1 expires when the Bemidji City Council determines that the amount described in subdivision 3, paragraph (a), has been received from the tax to finance the capital and administrative costs for acquisition, construction, improvement, and development of parks and trails and to repay or retire at maturity the principal, interest, and premium due on any bonds issued for the park and trail improvements under subdivision 3, paragraph (a), plus the earlier of (1) 30 years, or (2) when the city council first determines that the additional revenues received from the extension of the tax equals or exceeds the amount



authorized to be spent for the regional event center under subdivision 2, clause (2). Any funds remaining after completion of the ~~park and trail improvements~~ authorized projects and retirement or redemption of the bonds may be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

**EFFECTIVE DATE.** This section is effective the day after compliance by the governing body of the city of Bemidji and its chief clerical officer with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 37. **CITY OF CROOKSTON; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the voters at the next general election or a special election prior to December 31, 2008, the city of Crookston may impose by ordinance a sales and use tax of up to one-half of one percent for the purpose specified in subdivision 2. Except as provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of revenues.** Revenues received from taxes authorized by subdivision 1 must be used by the city to pay the cost of collecting the taxes and to pay all or part of the capital and administrative costs for the reconstruction of public facilities that need to be relocated in conjunction with the city's flood control project. Authorized expenses include, but are not limited to, acquiring property and paying construction expenses related to these facilities and improvements, and paying debt service on bonds or other obligations issued to finance acquisition, development, and construction of these facilities and improvements. The total amount of revenues that the city may raise under subdivision 1 to finance these projects is limited to no more than \$10,000,000 plus any associated bond costs.

Subd. 3. **Bonding authority.** Pursuant to the approval of the city voters to impose the tax authorized under subdivision 1, the city may issue, without an additional election, general obligation bonds of the city in an amount not to exceed \$10,000,000 to pay capital and administrative expenses for the projects described in subdivision 2. The debt represented by the bonds is not included in computing any debt limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation or be included in computing or applying any levy limitation applicable to the city.

Subd. 4. **Termination of taxes.** The taxes imposed under subdivision 1 expire when the Crookston city council determines that the amount of revenues received from the taxes to finance the project described in subdivision 2 first equals or exceeds the amount spent directly on the projects in subdivision 2, plus the additional amount needed to pay the costs related to issuance of bonds under subdivision 3, including interest on the bonds. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general fund of the city. The taxes imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

**EFFECTIVE DATE.** This section is effective the day after the governing body of the city of Crookston and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 38. **CITY OF NORTH MANKATO; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter pursuant to the approval of the voters on November 7, 2006, and pursuant to Minnesota Statutes, section 297A.99, the city of North Mankato may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the taxes authorized under this subdivision.

Subd. 2. **Use of revenues.** Revenues received from the tax authorized by subdivision 1 must be used to pay all or part of the capital costs of the following projects:

- (1) the local share of the Trunk Highway 14/County State Aid Highway 41 interchange project;
- (2) development of regional parks and hiking and biking trails;
- (3) expansion of the North Mankato Taylor Library;
- (4) riverfront redevelopment; and
- (5) lake improvement projects.

The total amount of revenues from the tax in subdivision 1 that may be used to fund these projects is \$6,000,000 plus any associated bond costs.

Subd. 3. **Bonds.** (a) The city of North Mankato, pursuant to the approval of the voters at the November 7, 2006, referendum authorizing the imposition of the taxes in this section, may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the projects described in subdivision 2, in an amount that does not exceed \$6,000,000. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

(b) The debt represented by the bonds is not included in computing any debt limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires when the city council determines that the amount of revenues received from the taxes to pay for the projects under subdivision 2 first equals or exceeds \$6,000,000 plus the additional amount needed to pay the costs related to issuance of bonds under subdivision 3, including interest on the bonds. Any funds remaining after completion of the projects and retirement or redemption of the bonds must be placed in a capital facilities and equipment replacement fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

**EFFECTIVE DATE.** This section is effective the day after compliance by the governing body of the city of North Mankato with Minnesota Statutes, section 645.021, subdivision 3.

**Sec. 39. STUDY OF SALES AND USE TAX.**

(a) The commissioner of revenue shall study the current sales and use tax base in Minnesota and provide a written report and recommendations to the legislature, in compliance with Minnesota Statutes, sections 3.195 and 3.197, by February 1, 2008. The study must report on:

- (1) the changes needed in the current sales tax base to move to a tax based solely on final consumption of all consumer goods and services, with no taxation of intermediate inputs to businesses;
- (2) the estimated change in state revenues for each of the changes identified in clause (1), along with the sales tax rate change that would be needed to make the changes revenue-neutral;
- (3) legal, administrative, and collection issues that would be associated with the changes identified in clause (1), including interaction with other existing state taxes;

(4) the effect of the changes identified in clause (1) on the incidence of the sales tax system and the overall state and local tax system;

(5) the effect of changes on efficiency and the competitiveness of Minnesota as a location for business and investment; and

(6) alternatives for rebating or refunding a portion of the tax to offset any increase in regressivity identified under clause (4).

(b) The study must make recommendations on:

(1) sales tax base expansions to move the state toward a system where the tax applies to the majority of final purchases of goods and services by consumers while minimizing administrative and collection issues;

(2) the sales tax rate change that would be needed to keep the sales tax system revenue neutral under clause (1); and

(3) sales tax base exemptions to minimize the state taxation of intermediate business inputs while minimizing administrative and collection issues.

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

## ARTICLE 7

### ECONOMIC DEVELOPMENT

Section 1. Minnesota Statutes 2006, section 268.19, subdivision 1, is amended to read:

Subdivision 1. **Use of data.** (a) Except as otherwise provided by this section, data gathered from any person pursuant to the administration of the Minnesota Unemployment Insurance Law are private data on individuals or nonpublic data not on individuals as defined in section 13.02, subdivisions 9 and 12, and may not be disclosed except pursuant to a district court order or section 13.05. A subpoena shall not be considered a district court order. These data may be disseminated to and used by the following agencies without the consent of the subject of the data:

(1) state and federal agencies specifically authorized access to the data by state or federal law;

(2) any agency of any other state or any federal agency charged with the administration of an unemployment insurance program;

(3) any agency responsible for the maintenance of a system of public employment offices for the purpose of assisting individuals in obtaining employment;

(4) human rights agencies within Minnesota that have enforcement powers;

(5) the Department of Revenue only to the extent necessary for its duties under Minnesota laws;

(6) public and private agencies responsible for administering publicly financed assistance programs for the purpose of monitoring the eligibility of the program's recipients;

(7) the Department of Labor and Industry and the Division of Insurance Fraud Prevention in the Department of Commerce on an interchangeable basis with the department for uses consistent with the administration of their duties under Minnesota law;

(8) local and state welfare agencies for monitoring the eligibility of the data subject for assistance programs, or for any employment or training program administered by those agencies, whether alone, in combination with another welfare agency, or in conjunction with the department or to monitor and evaluate the statewide Minnesota family investment program by providing data on recipients and former recipients of food stamps or food support, cash assistance under chapter 256, 256D, 256J, or 256K, child care assistance under chapter 119B, or medical programs under chapter 256B, 256D, or 256L;

(9) local and state welfare agencies for the purpose of identifying employment, wages, and other information to assist in the collection of an overpayment debt in an assistance program;

(10) local, state, and federal law enforcement agencies for the sole purpose of ascertaining the last known address and employment location of a person who is the subject of a criminal investigation;

(11) the federal Immigration and Naturalization Service shall have access to data on specific individuals and specific employers provided the specific individual or specific employer is the subject of an investigation by that agency; ~~and~~

(12) the Department of Health solely for the purposes of epidemiologic investigations; and

(13) the state auditor to the extent necessary to conduct audits of job opportunity building zones as required under section 469.3201.

(b) Data on individuals and employers that are collected, maintained, or used by the department in an investigation pursuant to section 268.182 are confidential as to data on individuals and protected nonpublic data not on individuals as defined in section 13.02, subdivisions 3 and 13, and must not be disclosed except pursuant to statute or district court order or to a party named in a criminal proceeding, administrative or judicial, for preparation of a defense.

(c) Data gathered by the department pursuant to the administration of the Minnesota unemployment insurance program must not be made the subject or the basis for any suit in any civil proceedings, administrative or judicial, unless the action is initiated by the department.

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

Sec. 2. Minnesota Statutes 2006, section 270B.15, is amended to read:

**270B.15 DISCLOSURE TO LEGISLATIVE AUDITOR AND STATE AUDITOR.**

(a) Returns and return information must be disclosed to the legislative auditor to the extent necessary for the legislative auditor to carry out sections 3.97 to 3.979.

(b) The commissioner must disclose return information, including the report required under section 289A.12, subdivision 15, to the state auditor to the extent necessary to conduct audits of job opportunity building zones as required under section 469.3201.

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

Sec. 3. Minnesota Statutes 2006, 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. 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 beginning for taxes payable in 2008.

Sec. 4. Minnesota Statutes 2006, section 289A.12, is amended by adding a subdivision to read:

Subd. 15. **Report of job opportunity zone benefits; penalty for failure to file report.** (a) By October 15 of each year, every qualified business, as defined under section 469.310, subdivision 11, must file with the commissioner, on a form prescribed by the commissioner, a report listing the tax benefits under section 469.315 received by the business for the previous year.

(b) The commissioner shall send notice to each business that fails to timely submit the report required under paragraph (a). The notice shall demand that the business submit the report within 60 days. Where good cause exists, the commissioner may extend the period for submitting the report as long as a request for extension is filed by the business before the expiration of the 60-day period. The commissioner shall notify the commissioner of the Department of Employment and Economic Development and the appropriate job opportunity subzone administrator whenever notice is sent to a business under this paragraph.

(c) A business that fails to submit the report as required under paragraph (b) is no longer a qualified business under section 469.310, subdivision 11, and is subject to the repayment provisions of section 469.319.

**EFFECTIVE DATE.** This section is effective beginning with reports required to be filed October 15, 2008.

Sec. 5. Minnesota Statutes 2006, section 469.169, is amended by adding a subdivision to read:

Subd. 18. **Additional border city allocations; 2007.** (a) In addition to tax reductions authorized in subdivisions 7 to 17, 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. The city alternatively may elect to use any portion of the allocation provided in this paragraph 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. The city alternatively may elect to use any portion of the allocation provided in this paragraph for tax reductions as provided in section 469.171.

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

Sec. 6. Minnesota Statutes 2006, section 469.174, subdivision 10, is amended to read:

Subd. 10. **Redevelopment district.** (a) "Redevelopment district" means a type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that one or more of the following conditions, reasonably distributed throughout the district, exists:

(1) parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance;

(2) the property consists of vacant, unused, underused, inappropriately used, or infrequently used railyards, rail storage facilities, or excessive or vacated railroad rights-of-way;

(3) tank facilities, or property whose immediately previous use was for tank facilities, as defined in section 115C.02, subdivision 15, if the tank facilities:

(i) have or had a capacity of more than 1,000,000 gallons;

(ii) are located adjacent to rail facilities; and

(iii) have been removed or are unused, underused, inappropriately used, or infrequently used; or

(4) a qualifying disaster area, as defined in subdivision 10b.

(b) For purposes of this subdivision, "structurally substandard" shall mean containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.

(c) A building is not structurally substandard if it is in compliance with the building code applicable to new buildings or could be modified to satisfy the building code at a cost of less than 15 percent of the cost of constructing a new structure of the same square footage and type on the site. The municipality may find that a building is not disqualified as structurally substandard under the preceding sentence on the basis of reasonably available evidence, such as the size, type, and age of the building, the average cost of plumbing, electrical, or structural repairs, or other similar reliable evidence. The municipality may not make such a determination without an interior inspection of the property, but need not have an independent, expert appraisal prepared of the cost of repair and rehabilitation of the building. An interior inspection of the property is not required, if the municipality finds that (1) the municipality or authority is unable to gain access to the property after using its best efforts to

obtain permission from the party that owns or controls the property; and (2) the evidence otherwise supports a reasonable conclusion that the building is structurally substandard. Items of evidence that support such a conclusion include recent fire or police inspections, on-site property tax appraisals or housing inspections, exterior evidence of deterioration, or other similar reliable evidence. Written documentation of the findings and reasons why an interior inspection was not conducted must be made and retained under section 469.175, subdivision 3, clause (1). Failure of a building to be disqualified under the provisions of this paragraph is a necessary, but not a sufficient, condition to determining that the building is substandard.

(d) A parcel is deemed to be occupied by a structurally substandard building for purposes of the finding under paragraph (a) or by the improvements described in paragraph (e) if all of the following conditions are met:

(1) the parcel was occupied by a substandard building or met the requirements of paragraph (e), as the case may be, within three years of the filing of the request for certification of the parcel as part of the district with the county auditor;

(2) the substandard building ~~was~~ or the improvements described in paragraph (e) were demolished or removed by the authority or the demolition or removal was financed by the authority or was done by a developer under a development agreement with the authority;

(3) the authority found by resolution before the demolition or removal that the parcel was occupied by a structurally substandard building or met the requirements of paragraph (e) and that after demolition and clearance the authority intended to include the parcel within a district; and

(4) upon filing the request for certification of the tax capacity of the parcel as part of a district, the authority notifies the county auditor that the original tax capacity of the parcel must be adjusted as provided by section 469.177, subdivision 1, paragraph (f).

(e) For purposes of this subdivision, a parcel is not occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures unless 15 percent of the area of the parcel contains buildings, streets, utilities, paved or gravel parking lots, or other similar structures.

(f) For districts consisting of two or more noncontiguous areas, each area must qualify as a redevelopment district under paragraph (a) to be included in the district, and the entire area of the district must satisfy paragraph (a).

**EFFECTIVE DATE.** This section is effective for requests for certification made after June 30, 2007.

Sec. 7. Minnesota Statutes 2006, section 469.174, subdivision 10a, is amended to read:

Subd. 10a. **Renewal and renovation district.** (a) "Renewal and renovation district" means a type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that:

(1)(i) parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures; (ii) 20 percent of the buildings are structurally substandard; and (iii) 30 percent of the other buildings require substantial renovation or clearance to remove existing conditions such as: inadequate street layout, incompatible uses or land use relationships, overcrowding of buildings on the land, excessive dwelling unit density, obsolete buildings not suitable for improvement or conversion, or other identified hazards to the health, safety, and general well-being of the community; and

(2) the conditions described in clause (1) are reasonably distributed throughout the geographic area of the district.

(b) For purposes of determining whether a building is structurally substandard, whether parcels are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures, or whether noncontiguous areas qualify, the provisions of subdivision 10, paragraphs ~~(e), (e), and~~ (b) through (f) apply.

**EFFECTIVE DATE.** This section is effective for requests for certification made after June 30, 2007.

Sec. 8. Minnesota Statutes 2006, section 469.174, subdivision 27, is amended to read:

Subd. 27. **Small city.** "Small city" means any home rule charter or statutory city that has a population of 5,000 or less and that is located ten miles or more from a home rule charter or statutory city, located in this state, with a population of 10,000 or more. For purposes of this definition, the distance between cities is measured by drawing a straight line from the nearest boundaries of the two cities. In calculating the distance between cities, the city may use any boundaries of the city with a population of 10,000 or more that were in effect during the ten-year period ending on the last day of the calendar year previous to the year in which the request for certification is made.

**EFFECTIVE DATE.** This section is effective for requests for certification made after the day following final enactment.

Sec. 9. Minnesota Statutes 2006, section 469.175, subdivision 1, is amended to read:

Subdivision 1. **Tax increment financing plan.** (a) A tax increment financing plan shall contain:

- (1) a statement of objectives of an authority for the improvement of a project;
- (2) a statement as to the development program for the project, including the property within the project, if any, that the authority intends to acquire, identified by parcel number, identifiable property name, block, or other appropriate means indicating the area in which the authority intends to acquire properties;
- (3) a list of any development activities that the plan proposes to take place within the project, for which contracts have been entered into at the time of the preparation of the plan, including the names of the parties to the contract, the activity governed by the contract, the cost stated in the contract, and the expected date of completion of that activity;
- (4) identification or description of the type of any other specific development reasonably expected to take place within the project, and the date when the development is likely to occur;
- (5) estimates of the following:
  - (i) cost of the project, including administrative expenses, except that if part of the cost of the project is paid or financed with increment from the tax increment financing district, the tax increment financing plan for the district must contain an estimate of the amount of the cost of the project, including administrative expenses, that will be paid or financed with tax increments from the district;
  - (ii) amount of bonded indebtedness to be incurred;
  - (iii) sources of revenue to finance or otherwise pay public costs;
  - (iv) the most recent net tax capacity of taxable real property within the tax increment financing district and within any subdistrict;
  - (v) the estimated captured net tax capacity of the tax increment financing district at completion; and



(vi) the duration of the tax increment financing district's and any subdistrict's existence;

(6) statements of the authority's alternate estimates of the impact of tax increment financing on the net tax capacities of all taxing jurisdictions in which the tax increment financing district is located in whole or in part. For purposes of one statement, the authority shall assume that the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the district, and for purposes of the second statement, the authority shall assume that none of the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the district or subdistrict;

(7) identification and description of studies and analyses used to make the determination set forth in subdivision 3, clause (2); and

(8) identification of all parcels to be included in the district or any subdistrict.

(b) The authority may specify in the tax increment financing plan the first year in which it elects to receive increment, up to four years following the year of approval of the district. This paragraph does not apply to an economic development district.

**EFFECTIVE DATE.** This section is effective for districts for which the request for certification is made after June 30, 2007.

Sec. 10. Minnesota Statutes 2006, section 469.175, subdivision 3, is amended to read:

Subd. 3. **Municipality approval.** (a) A county auditor shall not certify the original net tax capacity of a tax increment financing district until the tax increment financing plan proposed for that district has been approved by the municipality in which the district is located. If an authority that proposes to establish a tax increment financing district and the municipality are not the same, the authority shall apply to the municipality in which the district is proposed to be located and shall obtain the approval of its tax increment financing plan by the municipality before the authority may use tax increment financing. The municipality shall approve the tax increment financing plan only after a public hearing thereon after published notice in a newspaper of general circulation in the municipality at least once not less than ten days nor more than 30 days prior to the date of the hearing. The published notice must include a map of the area of the district from which increments may be collected and, if the project area includes additional area, a map of the project area in which the increments may be expended. The hearing may be held before or after the approval or creation of the project or it may be held in conjunction with a hearing to approve the project.

(b) Before or at the time of approval of the tax increment financing plan, the municipality shall make the following findings, and shall set forth in writing the reasons and supporting facts for each determination:

(1) that the proposed tax increment financing district is a redevelopment district, a renewal or renovation district, a housing district, a soils condition district, or an economic development district; if the proposed district is a redevelopment district or a renewal or renovation district, the reasons and supporting facts for the determination that the district meets the criteria of section 469.174, subdivision 10, paragraph (a), clauses (1) and (2), or subdivision 10a, must be documented in writing and retained and made available to the public by the authority until the district has been terminated;

(2) that, in the opinion of the municipality:

(i) the proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future; and

(ii) the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the plan. The requirements of this item do not apply if the district is a ~~qualified~~ housing district;

(3) that the tax increment financing plan conforms to the general plan for the development or redevelopment of the municipality as a whole;

(4) that the tax increment financing plan will afford maximum opportunity, consistent with the sound needs of the municipality as a whole, for the development or redevelopment of the project by private enterprise;

(5) that the municipality elects the method of tax increment computation set forth in section 469.177, subdivision 3, paragraph (b), if applicable.

(c) When the municipality and the authority are not the same, the municipality shall approve or disapprove the tax increment financing plan within 60 days of submission by the authority. When the municipality and the authority are not the same, the municipality may not amend or modify a tax increment financing plan except as proposed by the authority pursuant to subdivision 4. Once approved, the determination of the authority to undertake the project through the use of tax increment financing and the resolution of the governing body shall be conclusive of the findings therein and of the public need for the financing.

(d) For a district that is subject to the requirements of paragraph (b), clause (2), item (ii), the municipality's statement of reasons and supporting facts must include all of the following:

(1) an estimate of the amount by which the market value of the site will increase without the use of tax increment financing;

(2) an estimate of the increase in the market value that will result from the development or redevelopment to be assisted with tax increment financing; and

(3) the present value of the projected tax increments for the maximum duration of the district permitted by the tax increment financing plan.

(e) For purposes of this subdivision, "site" means the parcels on which the development or redevelopment to be assisted with tax increment financing will be located.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to all districts, regardless of when the request for certification was made.

Sec. 11. Minnesota Statutes 2006, section 469.176, subdivision 1, is amended to read:

**Subdivision 1. Duration of tax increment financing districts.** (a) Subject to the limitations contained in subdivisions 1a to 1f, any tax increment financing district as to which bonds are outstanding, payment for which the tax increment and other revenues have been pledged, shall remain in existence at least as long as the bonds continue to be outstanding. The municipality may, at the time of approval of the initial tax increment financing plan, provide for one or both of the following:

(1) a shorter maximum duration limit than specified in subdivisions 1a to 1f;

(2) an election as provided under section 469.175, subdivision 1, paragraph (b).

The specified limit applies in place of the otherwise applicable limit, unless the authority modifies the plan following the procedures under section 469.175, subdivision 4, paragraph (b).

(b) The tax increment pledged to the payment of the bonds and interest thereon may be discharged and the tax increment financing district may be terminated if sufficient funds have been irrevocably deposited in the debt service fund or other escrow account held in trust for all outstanding bonds to provide for the payment of the bonds at maturity or date of redemption and interest thereon to the maturity or redemption date.

(c) For bonds issued pursuant to section 469.178, subdivisions 2 and 3, the full faith and credit and any taxing powers of the municipality or authority are pledged to the payment of the bonds until the principal of and interest on the bonds has been paid in full.

**EFFECTIVE DATE.** This section is effective for districts for which the request for certification is made after June 30, 2007.

Sec. 12. Minnesota Statutes 2006, section 469.176, subdivision 2, is amended to read:

Subd. 2. **Excess increments.** (a) The authority shall annually determine the amount of excess increments for a district, if any. This determination must be based on the tax increment financing plan in effect on December 31 of the year and the increments and other revenues received as of December 31 of the year. The authority must spend or return the excess increments under paragraph (c) within nine months after the end of the year.

(b) For purposes of this subdivision, "excess increments" equals the excess of:

(1) total increments collected from the district since its certification, reduced by any excess increments paid under paragraph (c), clause (4), for a prior year, over

(2) the total costs authorized by the tax increment financing plan to be paid with increments from the district, reduced, but not below zero, by the sum of:

(i) the amounts of those authorized costs that have been paid from sources other than tax increments from the district;

(ii) revenues, other than tax increments from the district, that are dedicated for or otherwise required to be used to pay those authorized costs and that the authority has received and that are not included in item (i);

(iii) the amount of principal and interest obligations due on outstanding bonds after December 31 of the year and not prepaid under paragraph (c) in a prior year; and

(iv) increased by the sum of the transfers of increments made under section 469.1763, subdivision 6, to reduce deficits in other districts made by December 31 of the year.

(c) The authority shall use excess increment only to do one or more of the following:

(1) prepay any outstanding bonds;

(2) discharge the pledge of tax increment for any outstanding bonds;

(3) pay into an escrow account dedicated to the payment of any outstanding bonds; or

(4) return the excess amount to the county auditor who shall distribute the excess amount to the city or town, county, and school district in which the tax increment financing district is located in direct proportion to their respective local tax rates.

(d) For purposes of a district for which the request for certification was made prior to August 1, 1979, excess increments equal the amount of increments on hand on December 31, less the principal and interest obligations due on outstanding bonds or advances, qualifying under subdivision 1c, clauses (1), (2), (4), and (5), after December 31 of the year and not prepaid under paragraph (c).

(e) The county auditor must report to the commissioner of education the amount of any excess tax increment distributed to a school district within 30 days of the distribution.

(f) For purposes of this subdivision, "outstanding bonds" means bonds which are secured by increments from the district.

(g) The state auditor may exempt an authority from reporting the amounts calculated under this subdivision for a calendar year, if the authority certifies to the auditor in its report that the total amount authorized by the tax increment plan to be paid with increments from the district exceeds the sum of the total increments collected for the district for all years by 20 percent.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to all districts regardless of when the request for certification was made, including districts for which the request for certification was made on or before August 1, 1979.

Sec. 13. Minnesota Statutes 2006, section 469.176, subdivision 4I, is amended to read:

Subd. 4I. **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.

(b) This subdivision does not apply to a privately owned facility for conference purposes or a parking structure, whether it is public or privately owned or whether it is ancillary to a use listed in paragraph (a).

**EFFECTIVE DATE.** This section confirms the original intent of the legislature in enacting Minnesota Statutes, section 469.176, subdivision 4I, and is effective the day following final enactment and applies to any expenditure subject to Minnesota Statutes, section 469.176, subdivision 4I.

Sec. 14. Minnesota Statutes 2006, 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.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to all districts regardless of when the request for certification was made.

Sec. 15. Minnesota Statutes 2006, section 469.1761, subdivision 1, is amended to read:

Subdivision 1. **Requirement imposed.** (a) In order for a tax increment financing district to qualify as a housing district:

- (1) the income limitations provided in this section must be satisfied; and
- (2) no more than 20 percent of the square footage of buildings that receive assistance from tax increments may consist of commercial, retail, or other nonresidential uses.

(b) The requirements imposed by this section apply to property receiving assistance financed with tax increments, including interest reduction, land transfers at less than the authority's cost of acquisition, utility service or connections, roads, parking facilities, or other subsidies. The provisions of this section do not apply to districts located in a targeted area as defined in section 462C.02, subdivision 9, clause (e).

(c) For purposes of the requirements of paragraph (a), the authority may elect to treat an addition to an existing structure as a separate building if:

- (1) construction of the addition begins more than three years after construction of the existing structure was completed; and
- (2) for an addition that does not meet the requirements of paragraph (a), clause (2), if it is treated as a separate building, the addition was not contemplated by the tax increment financing plan which includes the existing structure.

**EFFECTIVE DATE.** This section is effective for expenditures of tax increment authorized and made after the day following final enactment, regardless of when the request for certification of the district was made.

Sec. 16. Minnesota Statutes 2006, section 469.1763, subdivision 2, is amended to read:

Subd. 2. **Expenditures outside district.** (a) For each tax increment financing district, an amount equal to at least 75 percent of the total revenue derived from tax increments paid by properties in the district must be expended on activities in the district or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities in the district or to pay, or secure payment of, debt service on credit enhanced bonds. For districts, other than redevelopment districts for which the request for certification was made after June 30, 1995, the in-district percentage for purposes of the preceding sentence is 80 percent. Not more than 25 percent of the total revenue derived from tax increments paid by properties in the district may be expended, through a development fund or otherwise, on activities outside of the district but within the defined geographic area of the project except to pay, or secure payment of, debt service on credit enhanced bonds. For districts, other than redevelopment districts for which the request for certification was made after June 30, 1995, the pooling percentage for purposes of the preceding sentence is 20 percent. The revenue derived from tax increments for the district that are expended on costs under section 469.176, subdivision 4h, paragraph (b), may be deducted first before calculating the percentages that must be expended within and without the district.

(b) In the case of a housing district, a housing project, as defined in section 469.174, subdivision 11, is an activity in the district.

(c) All administrative expenses are for activities outside of the district, except that if the only expenses for activities outside of the district under this subdivision are for the purposes described in paragraph (d), administrative expenses will be considered as expenditures for activities in the district.

(d) The authority may elect, in the tax increment financing plan for the district, to increase by up to ten percentage points the permitted amount of expenditures for activities located outside the geographic area of the district under paragraph (a). As permitted by section 469.176, subdivision 4k, the expenditures, including the permitted expenditures under paragraph (a), need not be made within the geographic area of the project. Expenditures that meet the requirements of this paragraph are legally permitted expenditures of the district, notwithstanding section 469.176, subdivisions 4b, 4c, and 4j. To qualify for the increase under this paragraph, the expenditures must:

(1) be used exclusively to assist housing that meets the requirement for a qualified low-income building, as that term is used in section 42 of the Internal Revenue Code;

(2) not exceed the qualified basis of the housing, as defined under section 42(c) of the Internal Revenue Code, less the amount of any credit allowed under section 42 of the Internal Revenue Code; and

(3) be used to:

(i) acquire and prepare the site of the housing;

(ii) acquire, construct, or rehabilitate the housing; or

(iii) make public improvements directly related to the housing.

(e) For a district created within a biotechnology and health sciences industry zone as defined in section 469.330, subdivision 6, or for an existing district located within such a zone, tax increment derived from such a district may be expended outside of the district but within the zone only for expenditures required for the construction of public infrastructure necessary to support the activities of the zone, land acquisition, and other redevelopment costs as defined in section 469.176, subdivision 4j. ~~Public infrastructure~~ These expenditures are considered as expenditures for activities within the district.

**EFFECTIVE DATE.** This section is effective for all districts located in bioscience zones, regardless of when the request for certification was made.

Sec. 17. Minnesota Statutes 2006, section 469.177, subdivision 1, is amended to read:

Subdivision 1. **Original net tax capacity.** (a) Upon or after adoption of a tax increment financing plan, the auditor of any county in which the district is situated shall, upon request of the authority, certify the original net tax capacity of the tax increment financing district and that portion of the district overlying any subdistrict as described in the tax increment financing plan and shall certify in each year thereafter the amount by which the original net tax capacity has increased or decreased as a result of a change in tax exempt status of property within the district and any subdistrict, reduction or enlargement of the district or changes pursuant to subdivision 4. The auditor shall certify the amount within 30 days after receipt of the request and sufficient information to identify the parcels included in the district. The certification relates to the taxes payable year as provided in subdivision 6.

(b) If the classification under section 273.13 of property located in a district changes to a classification that has a different assessment ratio, the original net tax capacity of that property must be redetermined at the time when its use is changed as if the property had originally been classified in the same class in which it is classified after its use is changed.

(c) The amount to be added to the original net tax capacity of the district as a result of previously tax exempt real property within the district becoming taxable equals the net tax capacity of the real property as most recently assessed pursuant to section 273.18 or, if that assessment was made more than one year prior to the date of title transfer rendering the property taxable, the net tax capacity assessed by the assessor at the time of the transfer. If improvements are made to tax exempt property after the municipality approves the district and before the parcel becomes taxable, the assessor shall, at the request of the authority, separately assess the estimated market value of the improvements. If the property becomes taxable, the county auditor shall add to original net tax capacity, the net tax capacity of the parcel, excluding the separately assessed improvements. If substantial taxable improvements were made to a parcel after certification of the district and if the property later becomes tax exempt, in whole or part, as a result of the authority acquiring the property through foreclosure or exercise of remedies under a lease or other revenue agreement or as a result of tax forfeiture, the amount to be added to the original net tax capacity of the district as a result of the property again becoming taxable is the amount of the parcel's value that was included in original net tax capacity when the parcel was first certified. The amount to be added to the original net tax capacity of the district as a result of enlargements equals the net tax capacity of the added real property as most recently certified by the commissioner of revenue as of the date of modification of the tax increment financing plan pursuant to section 469.175, subdivision 4.

(d) If the net tax capacity of a property increases because the property no longer qualifies under the Minnesota Agricultural Property Tax Law, section 273.111; the Minnesota Open Space Property Tax Law, section 273.112; or the Metropolitan Agricultural Preserves Act, chapter 473H, or because platted, unimproved property is improved or market value is increased after approval of the plat under section 273.11, subdivision 14, 14a, or 14b, the increase in net tax capacity must be added to the original net tax capacity.

(e) The amount to be subtracted from the original net tax capacity of the district as a result of previously taxable real property within the district becoming tax exempt, or a reduction in the geographic area of the district, shall be the amount of original net tax capacity initially attributed to the property becoming tax exempt or being removed from the district. If the net tax capacity of property located within the tax increment financing district is reduced by reason of a court-ordered abatement, stipulation agreement, voluntary abatement made by the assessor or auditor or by order of the commissioner of revenue, the reduction shall be applied to the original net tax capacity of the district when the property upon which the abatement is made has not been improved since the date of certification of the district and to the captured net tax capacity of the district in each year thereafter when the abatement relates to improvements made after the date of certification. The county auditor may specify reasonable form and content of the request for certification of the authority and any modification thereof pursuant to section 469.175, subdivision 4.

(f) If a parcel of property contained a substandard building or improvements described in section 469.174, subdivision 10, paragraph (e), that ~~was~~ were demolished or removed and if the authority elects to treat the parcel as occupied by a substandard building under section 469.174, subdivision 10, paragraph (b), or by improvements under section 469.174, subdivision 10, paragraph (e), the auditor shall certify the original net tax capacity of the parcel using the greater of (1) the current net tax capacity of the parcel, or (2) the estimated market value of the parcel for the year in which the building ~~was~~ or other improvements were demolished or removed, but applying the class rates for the current year.

(g) For a redevelopment district qualifying under section 469.174, subdivision 10, paragraph (a), clause (4), as a qualified disaster area, the auditor shall certify the value of the land as the original tax capacity for any parcel in the district that contains a building that suffered substantial damage as a result of the disaster or emergency.

**EFFECTIVE DATE.** This section is effective for requests for certification made after June 30, 2007.

Sec. 18. Minnesota Statutes 2006, section 469.178, subdivision 7, is amended to read:

Subd. 7. **Interfund loans.** The authority or municipality may advance or loan money to finance expenditures under section 469.176, subdivision 4, from its general fund or any other fund under which it has legal authority to do so. The loan or advance must be authorized, by resolution of the governing body or of the authority, whichever has jurisdiction over the fund from which the advance or loan is made, before money is transferred, advanced, or spent, whichever is earliest. The resolution may generally grant to the authority the power to make interfund loans under one or more tax increment financing plans or for one or more districts. The terms and conditions for repayment of the loan must be provided in writing and include, at a minimum, the principal amount, the interest rate, and maximum term. The maximum rate of interest permitted to be charged is limited to the greater of the rates specified under section 270C.40 or 549.09 as of the date the loan or advance is made, unless the written agreement states that the maximum interest rate will fluctuate as the interest rates specified under section 270C.40 or 549.09 are from time to time adjusted.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to all districts subject to Minnesota Statutes, section 469.178, subdivision 7, regardless of when the request for certification was made.

Sec. 19. Minnesota Statutes 2006, section 469.1791, subdivision 3, is amended to read:

Subd. 3. **Preconditions to establish district.** (a) A city may establish a special taxing district within a tax increment financing district under this section only if the conditions under paragraphs (b) and (c) are met or if the city elects to exercise the authority under paragraph (d).

(b) The city has determined that:

(1) total tax increments from the district, including unspent increments from previous years and increments transferred under paragraph (c), will be insufficient to pay the amounts due in a year on preexisting obligations; and

(2) this insufficiency of increments resulted from the reduction in property tax class rates enacted in the 1997 and 1998 legislative sessions.

(c) The city has agreed to transfer any available increments from other tax increment financing districts in the city to pay the preexisting obligations of the district under section 469.1763, subdivision 6. This requirement does not apply to any available increments of a ~~qualified~~ housing district.



(d) If a tax increment financing district does not qualify under paragraphs (b) and (c), the governing body may elect to establish a special taxing district under this section. If the city elects to exercise this authority, increments from the tax increment financing district and the proceeds of the tax imposed under this section may only be used to pay preexisting obligations and reasonable administrative expenses of the authority for the tax increment financing district. The tax increment financing district must be decertified when all preexisting obligations have been paid.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to districts regardless of when the request for certification was made.

Sec. 20. Minnesota Statutes 2006, section 469.310, is amended by adding a subdivision to read:

Subd. 11a. **Qualified farm.** "Qualified farm" means a person actively engaged in farming, that invests in an agricultural processing facility on the farm, and that:

(1) increases employment on the farm by a minimum of 25 percent of full-time employment in the first full year of operation. The employment does not include family members, as defined in section 267(c)(4) of the Internal Revenue Code of 1986, as amended;

(2) makes an investment equal to at least ten percent of the previous year's gross revenue in the agricultural processing facility;

(3) is located outside the metropolitan area, as defined in section 473.121, subdivision 2; and

(4) enters into a binding written agreement with the commissioner that:

(i) pledges the agricultural processing facility will meet the requirements of clauses (1) and (2); and

(ii) provides the repayment of all tax benefits enumerated under section 469.315 to the business under the procedures in section 469.319, if the requirements of clauses (1) and (2) are not met for the taxable year or for taxes payable during the year in which the requirements are not met; and

(iii) contains any other terms the commissioner deems appropriate.

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

Sec. 21. Minnesota Statutes 2006, section 469.312, is amended by adding a subdivision to read:

Subd. 6. **Restrictions on relocations.** (a) If a business relocates or intends to relocate under a proposed project more than 25 full-time equivalent jobs from a location in Minnesota into a job opportunity building zone, the business must notify the local government unit, the commissioner of employment and economic development, and the city and the county governments from which the jobs are being or would be relocated. A city or county that objects to the relocation of jobs must file a copy of the resolution with the commissioner of employment and economic development and the local unit of government.

(b) If the governing body of the city or county from which the jobs are being relocated adopts a qualified resolution objecting to the relocation within 60 days after its receipt of the notice, the following rules apply until the requirements of paragraph (c) are satisfied:

(1) if the business has not entered into a business subsidy agreement, the local unit of government may not enter into a business subsidy agreement with the business; or

(2) if the local unit of government has entered into a business subsidy agreement with the business, the business ceases to be a qualified business, effective for the current taxable year, the current assessment year, and for taxable purchases made after the first day of the month beginning after the filing of the objecting resolution.

(c) To be a qualified resolution for purposes of this subdivision, the resolution must identify one or more sites in the city or county that could serve as an appropriate site for the facility proposed by the business. To satisfy this requirement a site must:

(1) be of adequate size;

(2) have appropriate transportation access, given the nature of the business;

(3) be served by adequate public infrastructure and public utilities or the governmental unit will provide reasonably necessary public infrastructure and public utilities for the project in a timely manner; and

(4) be under the ownership or control of either the governmental unit or the business or be available for sale.

(d) When each city and county that objected to the relocation rescinds its objection by resolution, the provisions of paragraph (b) no longer apply to the business.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to business subsidy agreements entered into after that date.

Sec. 22. Minnesota Statutes 2006, section 469.312, is amended by adding a subdivision to read:

Subd. 7. **FARMZ; special rules.** (a) Except as otherwise specifically provided in this subdivision, sections 469.310 to 469.320 apply to family agricultural revitalization zones designated under section 469.314, subdivision 1, paragraph (d).

(b) Only the portion of a qualified farm that consists of the agricultural processing facility qualifies for the tax incentives under section 469.315. In no case may the maximum amount of income that is exempt from the individual income tax under section 469.316 or from the corporate franchise tax under section 469.317, exceed the total income of the qualified farm multiplied by a fraction, the numerator of which is the total income for the taxable year minus the income of the qualified farm for the last full year of operation prior to the designation and the denominator of which is the total income for the taxable year. In no case may the fraction be greater than one or less than zero.

(c) A qualified farm is deemed to be a qualified business for purposes of the tax incentives under section 469.315.

(d) Only purchases of materials for use directly in the construction and operation of the agricultural processing facility qualify for the sales tax exemption under section 297A.68, subdivision 37, and purchases of vehicles used exclusively in connection with operation of the agricultural processing facility qualify for the motor vehicle sales tax exemption under section 297B.03.

(e) Payroll attributed to payment of family members, as defined in section 267(c)(4) of the Internal Revenue Code, does not qualify for the jobs credit under section 469.318.

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

Sec. 23. Minnesota Statutes 2006, section 469.314, subdivision 1, is amended to read:

Subdivision 1. **Commissioner to designate.** (a) The commissioner, in consultation with the commissioner of revenue, shall designate not more than ten job opportunity building zones. In making the designations, the commissioner shall consider need and likelihood of success to yield the most economic development and revitalization of economically distressed rural areas of Minnesota.

(b) In addition to the designations under paragraph (a), the commissioner may, in consultation with the commissioners of agriculture and revenue, designate up to five agricultural processing facility zones.

(c) The commissioner may, upon designation of a zone, modify the development plan, including the boundaries of the zone or subzones, if in the commissioner's opinion a modified plan would better meet the objectives of the job opportunity building zone program. The commissioner shall notify the applicant of the modification and provide a statement of the reasons for the modifications.

(d) Upon application by a qualified farm, the commissioner may transfer the designation of one or more parcels in a job opportunity building zone to the site of the qualified farm. Such a site is designated a farm agricultural revitalization zone. The authority to transfer designation of parcels applies only to parcels on which no qualified business is located when the transfer is made. At least 30 days prior to executing the transfer of the designation, the commissioner must notify the zone administrator and the local government in which the parcel proposed to be transferred is located for advice and comment. Before transferring the designation of a parcel to the site of a qualified farm, the commissioner shall consult with the commissioner of revenue and shall consider the need for tax incentives to make the project feasible and the likelihood of success of the project. A transferred parcel is subject to the duration limit that applies to the original zone. The transferred parcel is not subject to reporting by the local government under section 469.320.

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

Sec. 24. Minnesota Statutes 2006, section 469.3201, is amended to read:

**469.3201 ~~JOBZ EXPENDITURE LIMITATIONS; AUDITS STATE AUDITOR; AUDITS OF JOB OPPORTUNITY BUILDING ZONES AND BUSINESS SUBSIDY AGREEMENTS.~~**

The Tax Increment Financing, Investment and Finance Division of the Office of the State Auditor must annually audit the creation and operation of all job opportunity building zones and business subsidy agreements entered into under Minnesota Statutes, sections 469.310 to 469.320. To the extent necessary to perform this audit, the state auditor may request from the commissioner of revenue tax return information of taxpayers who are eligible to receive tax benefits authorized under section 469.315. To the extent necessary to perform this audit, the state auditor may request from the commissioner of employment and economic development wage detail report information required under section 268.044 of taxpayers eligible to receive tax benefits authorized under section 469.315.

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

Sec. 25. **[469.350] BIOSCIENCE BUSINESS GRANTS.**

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

(b) "Commissioner" means the commissioner of employment and economic development.

(c) "Qualified bioscience business venture" means a business that satisfies all of the following conditions:

- (1) the business has its headquarters in Minnesota;
  - (2) at least 51 percent of the business's employees are employed in Minnesota;
  - (3) the business is engaged in, or is committed to engage in:
    - (i) manufacturing, processing, or assembling biotechnology or medical device products, including biotechnology and device products for use in agriculture;
    - (ii) conducting research in and development of biotechnology or medical device products or services; or
    - (iii) developing a new biotechnology or medical device product or business process;
  - (4) the business is not engaged in real estate development, insurance, banking, lending, lobbying, political consulting, wholesale or retail trade, leisure, hospitality, transportation, construction, or professional services provided by attorneys, accountants, business consultants, physicians, or health care consultants;
  - (5) the business has fewer than 25 employees;
  - (6) the business has been in operation for fewer than ten consecutive years;
  - (7) the business has not previously received a grant under this section;
  - (8) the business has less than \$1,000,000 in annual gross sales receipts;
  - (9) the business is not a subsidiary or an affiliate of a business that employs more than 100 employees or has gross sales receipts for the previous year of \$1,000,000, computed by aggregating all of the employees and gross sales receipts of the business entities affiliated with the business; and
  - (10) the business has not received private equity investments of more than \$2,000,000.
- (d) "Private equity investments" means investments from individuals or pass-through entities who do not own, control, or hold power to vote 20 percent or more of the outstanding securities of the qualified business venture.

Subd. 2. **Bioscience grants authorized.** The commissioner is authorized to make grants to qualified bioscience business ventures that have obtained at least \$100,000 in private equity investments. The grant amount equals 25 percent of private equity investments obtained by the qualified bioscience business venture, up to a maximum grant of \$100,000.

Subd. 3. **Application; preliminary certification.** (a) A qualified bioscience business venture must apply to the commissioner in order to receive a grant. The application must be in a form and manner prescribed by the commissioner. The application must include information on:

- (1) private equity investments of at least \$100,000 obtained or anticipated by the business venture;
- (2) the technology under development;
- (3) the technology's potential merits; and
- (4) the purposes for which the business will use the grant.

(b) The commissioner shall establish a grant evaluation team comprised of not less than five members including:

(1) the commissioner or the commissioner's designee or designees;

(2) representatives of one or more bioscience businesses;

(3) representatives of one or more private investment companies;

(4) representatives of one or more nonprofit entities that meets the requirements of section 501(c)3 or 501(c)6 of the Internal Revenue Code.

(c) The grant evaluation team must evaluate applications for grants using criteria agreed on by the team, including but not limited to:

(1) the scientific merit of the business venture;

(2) the market potential of the business venture;

(3) the potential for job creation of the business venture; and

(4) the ability of the business venture to attract private investment.

The team may consult with outside experts, as needed, to best evaluate applications. The team must recommend applications for preliminary certification to the commissioner and may only recommend applications that have obtained or anticipate obtaining at least \$100,000 in private equity investments.

(d) The commissioner must make preliminary certification of applications recommended by the grant evaluation team semiannually during a fiscal year, with not more than \$500,000 of preliminary certifications issued each time, unless preliminary certifications for that fiscal year have been cancelled as provided under subdivision 4. The preliminary certification reserves a grant equal to 25 percent of the private equity investments up to the maximum of \$100,000.

(e) The grant evaluation team and any outside experts consulted by the grant evaluation team must handle grant applications in accordance with the requirements of chapter 13. The grant applicant's name, address, and amount requested is classified as public data. All other data contained in a grant application is classified as nonpublic data, as defined in section 13.02, subdivision 9, or private data on individuals, as defined in section 13.02, subdivision 12.

**Subd. 4. Award of grant.** (a) A qualified bioscience business venture that has received preliminary certification under subdivision 3 must demonstrate to the commissioner receipt of the specified amount of private equity investments within 30 days of receiving preliminary certification.

(b) The commissioner must provide a grant equal to 25 percent of private equity investments up to the maximum grant of \$100,000 within 30 days of verifying that the qualified bioscience business venture has received the private equity investments. The commissioner may not award more than \$1,000,000 in grants during the fiscal year.

(c) If a qualified bioscience business venture fails to demonstrate receipt of the specified amount of private equity investments within 30 days of receiving preliminary certification, the preliminary certification is cancelled and the reserved grant amount is available to the commissioner for grants to other qualified bioscience business ventures.

Subd. 5. **Repayment obligation.** (a) A qualified bioscience business venture must repay the amount of the grant received under this section during the current year and four preceding years if it:

(1) no longer has its headquarters in Minnesota; or

(2) no longer employs at least 51 percent of its employees in Minnesota.

(b) A qualified bioscience venture that ceases business operations is not subject to the repayment obligation in this subdivision.

Subd. 6. **Report.** By February 1 of each year the commissioner must report to the committees of the legislature with jurisdiction over bioscience and technology issues, in compliance with sections 3.195 and 3.197, on the number and amount of grants awarded under this section, the activities of grant recipients, and the geographic distribution of businesses receiving grants.

Sec. 26. Laws 1994, chapter 587, article 9, section 14, subdivision 1, is amended to read:

Subdivision 1. **Establishment.** The city of Brooklyn Center may establish ~~an~~ a redevelopment tax increment financing district in which 15 percent of the revenues generated from tax increment in any year is deposited in the housing and environmental remediation development account of the authority and expended according to the tax increment financing plan.

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

Sec. 27. Laws 1994, chapter 587, article 9, section 14, subdivision 2, is amended to read:

Subd. 2. **Eligible activities.** The authority must identify in the plan the housing activities that will be assisted by the housing and environmental remediation development account. Housing activities may include rehabilitation, acquisition, construction, demolition, and financing of new or existing single family or multifamily housing. Housing and environmental remediation activities listed in the plan need not be located within the district or project area but must be activities that meet the income requirements of a qualified housing district under Minnesota Statutes, section ~~273.1399 or 469.1761, subdivision 2.~~

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

Sec. 28. Laws 1994, chapter 587, article 9, section 14, subdivision 3, is amended to read:

Subd. 3. **Housing account.** Tax increment to be expended for housing and environmental remediation activities under this section must be segregated by the authority into a special account on its official books and records. The account may also receive funds from other public and private sources.

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

Sec. 29. Laws 1995, chapter 264, article 5, section 44, subdivision 4, as amended by Laws 1996, chapter 471, article 7, section 21, and Laws 1997, chapter 231, article 10, section 12, is amended to read:

Subd. 4. **Authority.** For housing replacement projects in the city of Crystal, "authority" means the Crystal economic development authority. For housing replacement projects in the city of Fridley, "authority" means the housing and redevelopment authority in and for the city of Fridley or a successor in interest. For housing replacement projects in the city of Minneapolis, "authority" means the Minneapolis community development agency or its successors and assigns. For housing replacement projects in the city of St. Paul, "authority" means the St. Paul housing and redevelopment authority. For housing replacement projects in the city of Duluth, "authority" means the Duluth economic development authority. For housing replacement projects in the city of Richfield, "authority" is

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

**EFFECTIVE DATE.** This section is effective the day following final enactment and upon compliance by the governing body of the city of Minneapolis with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 30. Laws 1995, chapter 264, article 5, section 45, subdivision 1, as amended by Laws 1996, chapter 471, article 7, section 22, and Laws 1997, chapter 231, article 10, section 13, and Laws 2002, chapter 377, article 7, section 6, is amended to read:

Subdivision 1. **Creation of projects.** (a) An authority may create a housing replacement project under sections 44 to 47, as provided in this section.

(b) For the cities of Crystal, Fridley, Richfield, and Columbia Heights, the authority may designate up to 50 parcels in the city to be included in a housing replacement district. No more than ten parcels may be included in year one of the district, with up to ten additional parcels added to the district in each of the following nine years. For the cities of ~~Minneapolis~~, St. Paul, and Duluth, each authority may designate not more than 200 parcels in the city to be included in a housing replacement district over the life of the district. For the city of Minneapolis, the authority may designate not more than 300 parcels in the city to be included in a housing replacement district over the life of the district. The only parcels that may be included in a district are (1) vacant sites, (2) parcels containing vacant houses, or (3) parcels containing houses that are structurally substandard, as defined in Minnesota Statutes, section 469.174, subdivision 10.

(c) The city in which the authority is located must pay at least 25 percent of the housing replacement project costs from its general fund, a property tax levy, or other unrestricted money, not including tax increments.

(d) The housing replacement district plan must have as its sole object the acquisition of parcels for the purpose of preparing the site to be sold for market rate housing. As used in this section, "market rate housing" means housing that has a market value that does not exceed 150 percent of the average market value of single-family housing in that municipality.

**EFFECTIVE DATE.** This section is effective the day following final enactment and upon compliance by the governing body of the city of Minneapolis with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 31. **EAGAN; TAX INCREMENT FINANCING.**

Subdivision 1. **Establishment.** (a) The city of Eagan may establish within the corporate boundaries of the city one or more economic development tax increment financing districts subject to the special rules under subdivision 2. The districts must be located within the area described in paragraph (b).

(b) For purposes of this section, the "area" is defined as Section 13, Township 27, Range 23, Dakota County, Minnesota.

Subd. 2. **Special rules.** (a) If the city elects upon adoption of the tax increment financing plan for the district, the rules under this subdivision apply to the district.

(b) The limitations in Minnesota Statutes, section 469.176, subdivision 4c, on spending increment for developments more than 15 percent of the square footage of which is used for purposes other than those listed in that subdivision, do not apply.

(c) Increments may be expended on parking, including structured parking, wetland mitigation, sanitary sewer, storm sewer, water, and street improvements inside and outside the area defined in subdivision 1, paragraph (b), wherever located, whether or not included in a tax increment financing district, and without regard to any limitations in Minnesota Statutes, section 469.1763, subdivision 2, if the improvements are related to development within the area defined in subdivision 1, paragraph (b), and on administrative expenses.

Subd. 3. **Business subsidy agreement required.** Prior to approval of a tax increment financing plan for a district authorized by this section, the city must enter a business subsidy agreement with the recipient or beneficiary of expenditures of the increments. The agreement must set minimum full-time employment goals, minimum compensation amounts of the employment positions, and minimum investment amounts for the project and must provide for repayment of all or part of the assistance, if the established goals are not met by the recipient or beneficiaries.

Subd. 4. **Expiration.** The authority to approve tax increment financing plans to establish tax increment financing districts under this section expires on December 31, 2008.

**EFFECTIVE DATE.** This section is effective upon compliance by the city of Eagan with Minnesota Statutes, section 645.021.

Sec. 32. **TAX INCREMENT FINANCING; CITY OF DAYTON.**

Subdivision 1. **Authority.** The city of Dayton may establish an economic development tax increment financing district under the authority provided in this section. The city may include area with the jurisdiction of the town of Hassan to the extent authorized by a joint powers agreement with the town. This district must be established within the area defined in subdivision 2 and is subject to the special rules under subdivision 3.

Subd. 2. **Defined area.** The district must be established within the area defined as the southwestern corner of the city of Dayton bounded by Brockton Lane (also known as Hennepin County Road 101) to the west, 109th Avenue North to the south, Hennepin County Highway 81 diagonally to the north and east from 109th Avenue northwesterly to a line 120 feet east of the extension of York Avenue northerly to a line 120 feet north of Gay Wood Drive and then west to Brockton Lane (Hennepin County Road 101). The area within the jurisdiction of the town of Hassan that may be included in the district is limited to and defined as all the land within the town of Hassan north of 109th Avenue North, east of Fletcher Lane (also known as Hennepin County Road 116), south of I-94 and west of Brockton Lane (Hennepin County Road 101).

Subd. 3. **Special rules.** The district is subject to the rules under Minnesota Statutes, sections 469.174 to 469.1799, with the following exceptions:

- (1) the city need not make the findings required by Minnesota Statutes, section 469.174, subdivision 12;
- (2) the restrictions on the expenditures of increments under Minnesota Statutes, section 469.176, subdivision 4c, do not apply;
- (3) the provisions of Minnesota Statutes, section 469.176, subdivision 5, do not apply to the district;
- (4) the provisions of Minnesota Statutes, section 469.176, subdivision 7, do not apply to the district;
- (5) the district's tax increments must be used only to pay for the costs related to Brockton interchange project, including land acquisition, public infrastructure, and administrative costs, which are limited to ten percent of the improvement cost, whether paid directly or to reimburse for payment of those costs or to repay bonds or other obligations issued and sold to pay those costs initially;



(6) for purposes of any joint powers agreement authorized by this section, the town of Hassan is deemed to have all the powers of an authority, as defined in Minnesota Statutes, section 469.174, subdivision 2; and

(7) tax increments for the districts must be computed using an original local tax rate equal to 80 percent of the rate under Minnesota Statutes, section 469.177, subdivision 1a.

**EFFECTIVE DATE.** This section is effective upon compliance by the governing body of the city of Dayton and by the board of supervisors of the town of Hassan with Minnesota Statutes, section 645.021.

Sec. 33. **CITY OF FRIDLEY; TAX INCREMENT FINANCING DISTRICT; SPECIAL RULES.**

(a) If the city elects upon the adoption of a tax increment financing plan for a district, the rules under this section apply to a redevelopment tax increment financing district established by the city of Fridley or the housing and redevelopment authority of the city. The redevelopment tax increment district includes the following parcels and adjacent railroad property and shall be referred to as the Northstar Transit Station District: parcel numbers 223024120010, 223024120009, 223024120017, 223024120016, 223024120018, 223024120012, 223024120011, 223024120005, 223024120004, 223024120003, 223024120013, 223024120008, 223024120007, 223024120006, 223024130005, 223024130010, 223024130011, 223024130003, 153024440039, 153024440037, 153024440041, 153024440042, 223024110013, 223024110016, 223024110017, 223024140008, 223024130002, 223024420004, 223024410002, 223024410003, 223024110008, 223024110007, 223024110019, 223024110018, 223024110003, 223024140003, 223024140009, 223024140002, 223024140010, and 223024410007.

(b) The requirements for qualifying a redevelopment tax increment district under Minnesota Statutes, section 469.174, subdivision 10, do not apply to the parcels located within the Northstar Transit Station District, which are deemed eligible for inclusion in a redevelopment tax increment district.

(c) In addition to the costs permitted by Minnesota Statutes, section 469.176, subdivision 4j, eligible expenditures within the Northstar Transit Station District include those costs necessary to provide for the development or expanded use of a transfer station. For purposes of this subdivision, transfer station means a physical structure or designated area that supports the interconnection of various transportation modes, including light rail, commuter rail, and bus rapid transit, and that promotes and achieves the loading, discharging, and transporting of people.

(d) Notwithstanding the provisions of Minnesota Statutes, section 469.1763, subdivision 2, the city of Fridley may expend increments generated from its tax increment financing districts numbers 11, 12, and 13 for costs permitted by paragraph (c) and Minnesota Statutes, section 469.176, subdivision 4j, outside the boundaries of tax increment financing districts numbers 11, 12, and 13, but only within the Northstar Transit Station District.

(e) The five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, does not apply to the Northstar Transit Station District or to tax increment financing districts numbers 11, 12, and 13.

(f) The use of revenues for decertification under Minnesota Statutes, section 469.1763, subdivision 4, does not apply to tax increment financing districts numbers 11, 12, and 13.

**EFFECTIVE DATE.** This section is effective upon approval by the governing body of the city of Fridley and upon compliance by the city with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 34. **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.** This section is effective upon approval by the governing body of the city of Taylors Falls and upon timely compliance by the city with Minnesota Statutes, section 645.021.

Sec. 35. **BIOSCIENCE GRANTS; APPROPRIATION.**

\$1,000,000 in fiscal year 2008 and \$1,000,000 in fiscal year 2009 are appropriated from the general fund to the commissioner of employment and economic development for bioscience grants under Minnesota Statutes, section 469.350. The appropriations made under this section are exempt from the requirements of Minnesota Statutes, sections 116J.994 and 116J.995.

Sec. 36. **APPROPRIATION; MINNESOTA FILM AND TV BOARD.**

(a) \$1,700,000 is appropriated from the general fund to the commissioner of employment and economic development for a grant to the Minnesota Film and TV Board for reimbursement of up to 15 percent of the film production costs incurred in Minnesota, under Minnesota Statutes, section 116U.26. This appropriation is for fiscal years 2008 and 2009. This is a onetime appropriation.

(b) This appropriation is contingent upon the availability in the November 2008 revenue forecast of additional revenues, as defined in Minnesota Statutes, section 16A.152, subdivision 2, and this appropriation is the first priority for the use of those revenues, notwithstanding the provisions of Minnesota Statutes, section 16A.152, subdivision 2, or any amendments to that subdivision enacted in this or another law.

Sec. 37. **REPEALER.**

Minnesota Statutes 2006, section 469.174, subdivision 29, is repealed.

**EFFECTIVE DATE.** This section is effective the day following final enactment. For purposes of any special law authorizing or limiting the use of increments to projects meeting the requirements of a qualified housing district, expenditures for housing districts satisfying the requirements of Minnesota Statutes, sections 469.174, subdivision 11; 469.176, subdivision 4d; and 469.1761, as amended, also satisfy the requirements of the special law.

## ARTICLE 8

## MINERALS

Section 1. Minnesota Statutes 2006, section 298.22, is amended by adding a subdivision to read:

Subd. 5a. **Forest trust.** The board may purchase forest lands in the taconite assistance area under section 273.1341 with funds specifically authorized for the purchase. All of these forest lands must be held in trust for the benefit of the citizens of the area as the Iron Range Miners' Memorial Forest. The board may use the forest trust lands for recreation and economic uses. The board must deposit the proceeds from the sale of timber or removal of gravel or other minerals from these forest lands into an Iron Range Miners' Memorial Forest account established by the board. By majority vote of the board, money in the Iron Range Miners' Memorial Forest account may be transferred into the Douglas J. Johnson economic protection trust fund under sections 298.291 to 298.294.

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

Sec. 2. Minnesota Statutes 2006, section 298.2214, subdivision 2, is amended to read:

Subd. 2. **Iron Range Higher Education Committee; membership.** The members of the committee shall consist of:

- (1) one member appointed by the governor;
- (2) one member appointed by the president of the University of Minnesota;
- (3) two members ~~appointed by the commissioner of the Iron Range resources and rehabilitation~~ appointed by the chair; and
- (4) the commissioner of Iron Range resources and rehabilitation; and
- (5) the President of the Northeast Higher Education District.

Sec. 3. Minnesota Statutes 2006, section 298.28, subdivision 4, is amended to read:

Subd. 4. **School districts.** (a) ~~47.15~~ 20.15 cents per taxable ton plus the increase provided in paragraph (d) must be allocated to qualifying school districts to be distributed, based upon the certification of the commissioner of revenue, under paragraphs (b) and (c), except as otherwise provided in paragraph (f).

(b)(i) 3.43 cents per taxable ton must be distributed to the school districts in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. The distribution must be based on the apportionment formula prescribed in subdivision 2.

(ii) Three cents per taxable ton from each taconite facility must be distributed to each affected school district for deposit in a fund dedicated to building maintenance and repairs, as follows:

(1) proceeds from Keewatin Taconite or its successor are distributed to Independent School Districts Nos. 316, Coleraine, and 319, Nashwauk-Keewatin, or their successor districts;

(2) proceeds from the Hibbing Taconite Company or its successor are distributed to Independent School Districts Nos. 695, Chisholm, and 701, Hibbing, or their successor districts;

(3) proceeds from the Mittal Steel Company, United Taconite, and Minntac or their successors are distributed to Independent School Districts Nos. 712, Mountain Iron-Buhl, 706, Virginia, 2711, Mesabi East, and 2154, Eveleth-Gilbert, or their successor districts; and

(4) proceeds from the Northshore Mining Company or its successor are distributed to Independent School District No. 2142, St. Louis County, or its successor district.

Revenues that are required to be distributed to more than one district shall be apportioned according to the number of pupil units identified in section 126C.05, subdivision 1, enrolled in the second previous year. Any amounts received by a qualifying school district under this provision shall not be applied to: (A) reduce any aid that the school district is entitled to receive, or (B) reduce the permissible levies of the school district.

(c)(i) 13.72 cents per taxable ton, less any amount distributed under paragraph (e), shall be distributed to a group of school districts comprised of those school districts which qualify as a tax relief area under section 273.134, paragraph (b), or in which there is a qualifying municipality as defined by section 273.134, paragraph (a), in direct proportion to school district indexes as follows: for each school district, its pupil units determined under section 126C.05 for the prior school year shall be multiplied by the ratio of the average adjusted net tax capacity per pupil unit for school districts receiving aid under this clause as calculated pursuant to chapters 122A, 126C, and 127A for the school year ending prior to distribution to the adjusted net tax capacity per pupil unit of the district. Each district shall receive that portion of the distribution which its index bears to the sum of the indices for all school districts that receive the distributions.

(ii) Notwithstanding clause (i), each school district that receives a distribution under sections 298.018; 298.23 to 298.28, exclusive of any amount received under this clause; 298.34 to 298.39; 298.391 to 298.396; 298.405; or any law imposing a tax on severed mineral values after reduction for any portion distributed to cities and towns under section 126C.48, subdivision 8, paragraph (5), that is less than the amount of its levy reduction under section 126C.48, subdivision 8, for the second year prior to the year of the distribution shall receive a distribution equal to the difference; the amount necessary to make this payment shall be derived from proportionate reductions in the initial distribution to other school districts under clause (i).

(d) Any school district described in paragraph (c) where a levy increase pursuant to section 126C.17, subdivision 9, was authorized by referendum for taxes payable in 2001, shall receive a distribution of 21.3 cents per ton. Each district shall receive \$175 times the pupil units identified in section 126C.05, subdivision 1, enrolled in the second previous year or the 1983-1984 school year, whichever is greater, less the product of 1.8 percent times the district's taxable net tax capacity in the second previous year.

If the total amount provided by paragraph (d) is insufficient to make the payments herein required then the entitlement of \$175 per pupil unit shall be reduced uniformly so as not to exceed the funds available. Any amounts received by a qualifying school district in any fiscal year pursuant to paragraph (d) shall not be applied to reduce general education aid which the district receives pursuant to section 126C.13 or the permissible levies of the district. Any amount remaining after the payments provided in this paragraph shall be paid to the commissioner of Iron Range resources and rehabilitation who shall deposit the same in the taconite environmental protection fund and the Douglas J. Johnson economic protection trust fund as provided in subdivision 11.

Each district receiving money according to this paragraph shall reserve the lesser of the amount received under this paragraph or \$25 times the number of pupil units served in the district. It may use the money for early childhood programs or for outcome-based learning programs that enhance the academic quality of the district's curriculum. The outcome-based learning programs must be approved by the commissioner of education.

(e) There shall be distributed to any school district the amount which the school district was entitled to receive under section 298.32 in 1975.

(f) Effective for the distribution in 2003 only, five percent of the distributions to school districts under paragraphs (b), (c), and (e); subdivision 6, paragraph (c); subdivision 11; and section 298.225, shall be distributed to the general fund. The remainder less any portion distributed to cities and towns under section 126C.48, subdivision 8, paragraph (5), shall be distributed to the Douglas J. Johnson economic protection trust fund created in section 298.292. Fifty percent of the amount distributed to the Douglas J. Johnson economic protection trust fund shall be made available for expenditure under section 298.293 as governed by section 298.296. Effective in 2003 only, 100 percent of the distributions to school districts under section 477A.15 less any portion distributed to cities and towns under section 126C.48, subdivision 8, paragraph (5), shall be distributed to the general fund.

**EFFECTIVE DATE.** This section is effective for production in 2007, distributions in 2008, and thereafter.

Sec. 4. Minnesota Statutes 2006, section 298.28, is amended by adding a subdivision to read:

Subd. 9d. **Iron Range higher education account.** Two cents per taxable ton must be allocated to the Iron Range Resources and Rehabilitation Board to be deposited in an Iron Range higher education account that is hereby created, to be used for higher education programs, scholarships, and grants to postsecondary students attending a higher education institution located in the taconite assistance area defined in section 273.1341. The Iron Range Higher Education committee under section 298.2214 must approve all expenditures from the account. The account must be used for the educational expenses of undergraduate and postgraduate education of eligible students enrolled in the University of Minnesota, the Minnesota State Colleges and Universities, and private postsecondary institutions located in the taconite assistance area defined under section 273.1341.

**EFFECTIVE DATE.** This section is effective for production in 2007, distributions in 2008, and thereafter.

Sec. 5. Minnesota Statutes 2006, section 298.292, subdivision 2, is amended to read:

Subd. 2. **Use of money.** Money in the Douglas J. Johnson economic protection trust fund may be used for the following purposes:

(1) to provide loans, loan guarantees, interest buy-downs and other forms of participation with private sources of financing, but a loan to a private enterprise shall be for a principal amount not to exceed one-half of the cost of the project for which financing is sought, and the rate of interest on a loan to a private enterprise shall be no less than the lesser of eight percent or an interest rate three percentage points less than a full faith and credit obligation of the United States government of comparable maturity, at the time that the loan is approved;

(2) to fund reserve accounts established to secure the payment when due of the principal of and interest on bonds issued pursuant to section 298.2211;

(3) to pay in periodic payments or in a lump sum payment any or all of the interest on bonds issued pursuant to chapter 474 for the purpose of constructing, converting, or retrofitting heating facilities in connection with district heating systems or systems utilizing alternative energy sources; ~~and~~

(4) to invest in a venture capital fund or enterprise that will provide capital to other entities that are engaging in, or that will engage in, projects or programs that have the purposes set forth in subdivision 1. No investments may be made in a venture capital fund or enterprise unless at least two other unrelated investors make investments of at least \$500,000 in the venture capital fund or enterprise, and the investment by the Douglas J. Johnson economic protection trust fund may not exceed the amount of the largest investment by an unrelated investor in the venture capital fund or enterprise. For purposes of this subdivision, an "unrelated investor" is a person or entity that is not related to the entity in which the investment is made or to any individual who owns more than 40 percent of the value of the entity, in any of the following relationships: spouse, parent, child, sibling, employee, or owner of an

interest in the entity that exceeds ten percent of the value of all interests in it. For purposes of determining the limitations under this clause, the amount of investments made by an investor other than the Douglas J. Johnson economic protection trust fund is the sum of all investments made in the venture capital fund or enterprise during the period beginning one year before the date of the investment by the Douglas J. Johnson economic protection trust fund; and

(5) to purchase forest land in the taconite assistance area under section 273.1341 to be held as a public trust for the benefit of the area for recreational uses and for economic purposes, including timber sales and gravel removal.

Money from the trust fund shall be expended only in or for the benefit of the taconite assistance area defined in section 273.1341.

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

Sec. 6. Minnesota Statutes 2006, section 298.2961, subdivision 4, is amended to read:

Subd. 4. **Grant and loan fund.** (a) A fund is established to receive distributions under section 298.28, subdivision 9b, and to make grants or loans as provided in this subdivision. Any grant or loan made under this subdivision must be approved by a majority of the members of the Iron Range Resources and Rehabilitation Board, established under section 298.22.

(b) Distributions received in calendar year 2005 are allocated to the city of Virginia for improvements and repairs to the city's steam heating system.

(c) Distributions received in calendar year 2006 are allocated to a project of the public utilities commissions of the cities of Hibbing and Virginia to convert their electrical generating plants to the use of biomass products, such as wood.

(d) Distributions received in calendar year 2007 must be paid to the city of Tower to be used for the East Two Rivers project in or near the city of Tower.

(e) For distributions received in 2008, the first \$2,000,000 of the 2008 distribution must be paid to St. Louis County for deposit in its county road and bridge fund to be used for relocation of St. Louis County Road 715, commonly referred to as Pike River Road. The remainder of the 2008 distribution ~~and the full~~ must be paid to St. Louis County for a grant to the City of Virginia for connecting sewer and water lines to the St. Louis County maintenance garage on Highway 135, further extending the lines to interconnect with the city of Gilbert's sewer and water lines. The total amount of the distributions in 2009 and subsequent years is allocated for projects under section 298.223, subdivision 1.

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

Sec. 7. **IRON RANGE RESOURCES AND REHABILITATION BOARD; APPROPRIATION; RETIRE BONDS.**

Commencing with taxes payable in 2008 there is annually appropriated from the distribution of the taconite production tax revenues to the taconite environmental protection fund under Minnesota Statutes, section 298.28, subdivision 11, and to the Douglas J. Johnson economic protection trust fund under Minnesota Statutes, section 298.28, subdivisions 9 and 11, in equal shares, an amount of \$500,000 per year.

The revenue received under this section shall be used only to retire Mesabi East School District No. 2711 bonds in the amount of \$9,000,000 issued September 1, 2006, and in the amount of \$6,250,000 issued March 1, 2007. The payments shall continue for a period of ten years ending with taxes payable in 2017. Payments to the school district shall be made on March 1.

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

Sec. 8. **IRON RANGE MEMORIAL FOREST.**

Notwithstanding Minnesota Statutes, section 298.293, the Iron Range Resources and Rehabilitation Board under Minnesota Statutes, section 298.22, may expend funds from the principal of the Douglas J. Johnson economic protection trust fund under Minnesota Statutes, sections 298.291 to 298.294, to purchase forest lands. All forest lands purchased under this section must be held in trust for the benefit of the citizens of the taconite assistance area under Minnesota Statutes, section 273.1341, as the Iron Range Miners' Memorial Forest for the benefit of the area as provided under section 1.

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

ARTICLE 9

SPECIAL TAXES

Section 1. Minnesota Statutes 2006, 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 ~~May 18~~ December 31, 2006.

(9) "Minnesota adjusted taxable estate" means the following amount:

(i) federal adjusted taxable estate as defined by section 2011(b)(3) of the Internal Revenue Code, ~~increased by,~~ plus

(ii) the amount of deduction for state death taxes allowed under section 2058 of the Internal Revenue Code; plus

(iii) expenses which are deducted for federal income tax purposes under section 642(g) of the Internal Revenue Code; plus

(iv) the amount of taxable gifts as defined in section 2503 of the Internal Revenue Code made by the decedent within three years of the decedent's date of death. For purposes of this clause, the amount of the addition equals the value of the gift under section 2512 of the Internal Revenue Code and excludes any value of the gift included in the federal adjusted taxable estate; less

(v) the value of qualified farm property under section 291.03, subdivision 9, and qualified small business property under section 291.03, subdivision 10, but not to exceed \$500,000.

**EFFECTIVE DATE.** This section is effective for decedents dying after December 31, 2006.

Sec. 2. Minnesota Statutes 2006, section 291.03, subdivision 1, is amended to read:

Subdivision 1. **Tax amount.** 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, 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 amount computed by applying the rates and brackets under section 2001(c) of the Internal Revenue Code to the Minnesota adjusted ~~gross taxable~~ estate and subtracting the federal credit allowed under section 2010 of the Internal Revenue Code of 1986, as amended through December 31, 2000. ~~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.~~

**EFFECTIVE DATE.** This section is effective for decedents dying after December 31, 2006.

Sec. 3. Minnesota Statutes 2006, section 291.03, is amended by adding a subdivision to read:

Subd. 8. **Definitions.** (a) For purposes of this section, the following terms have the meanings given in this subdivision.

(b) "Family member" means a family member as defined in section 2032A(e)(2) of the Internal Revenue Code.

(c) "Qualified heir" means a family member who acquired qualified property from the decedent and satisfies the requirement under subdivision 9, clause (4), or under subdivision 10, clause (6), for the property.



(d) "Qualified property" means qualified farm property under subdivision 9 and qualified small business property under subdivision 10.

**EFFECTIVE DATE.** This section is effective for decedents dying after December 31, 2006.

Sec. 4. Minnesota Statutes 2006, section 291.03, is amended by adding a subdivision to read:

Subd. 9. **Qualified farm property.** Property is qualified farm property if it satisfies all of the following requirements:

(1) the value of the property was included in the Minnesota gross estate;

(2) the property consists of a farm that meets the requirements of section 500.24 and was classified for property tax purposes as the homestead of the decedent or the decedent's spouse or both under section 273.124, and as class 2a property under section 273.13, subdivision 23;

(3) the decedent continuously owned the property for the three-year period ending on the date of death of the decedent;

(4) a family member continuously uses the property in the operation of the trade or business for three years following the date of death of the decedent; and

(5) the estate and the qualified heir elect to treat the property as qualified farm property and agree, in a form prescribed by the commissioner, to pay the recapture tax under subdivision 11, if applicable.

**EFFECTIVE DATE.** This section is effective for decedents dying after December 31, 2006.

Sec. 5. Minnesota Statutes 2006, section 291.03, is amended by adding a subdivision to read:

Subd. 10. **Qualified small business property.** Property satisfying all of the following requirements is qualified small business property:

(1) The value of the property was included in the Minnesota gross estate.

(2) The property consists of the assets of a trade or business or shares of stock or other ownership interests in a corporation or other entity engaged in a trade or business. The decedent or the decedent's spouse must have materially participated in the trade or business within the meaning of section 469 of the Internal Revenue Code during the taxable year that ended before the date of the decedent's death. Shares of stock in a corporation or an ownership interest in another type of entity do not qualify under this subdivision if the shares or ownership interests are traded on a public stock exchange at any time during the three-year period ending on the decedent's date of death.

(3) The gross annual sales of the trade or business were \$10,000,000 or less for the last taxable year that ended before the date of the death of the decedent.

(4) The property does not consist of cash or cash equivalents. For property consisting of shares of stock or other ownership interests in an entity, the amount of cash or cash equivalents held by the corporation or other entity must be deducted from the value of the property qualifying under this subdivision in proportion to the decedent's share of ownership of the entity on the date of death.

(5) The decedent continuously owned the property for the three-year period ending on the date of death of the decedent.

(6) A family member continuously uses the property in the operation of the trade or business for three years following the date of death of the decedent.

(7) The estate and the qualified heir elect to treat the property as qualified small business property and agree, in the form prescribed by the commissioner, to pay the recapture tax under subdivision 11, if applicable.

**EFFECTIVE DATE.** This section is effective for decedents dying after December 31, 2006.

Sec. 6. Minnesota Statutes 2006, section 291.03, is amended by adding a subdivision to read:

Subd. 11. **Recapture tax.** (a) The tax under this subdivision applies, if, within three years after the decedent's death and before the death of the qualified heir, the qualified heir disposes of any interest in qualified property, other than by a disposition to a family member who satisfies the requirement under subdivision 9, clause (4), and subdivision 10, clause (6), for the remainder of the three years following the date of death of the decedent, and who agrees, in a form prescribed by the commissioner, to pay the recapture tax under this subdivision, if applicable.

(b) The amount of the additional tax equals the amount of the exclusion claimed by the estate under section 291.005, subdivision 1, clause (9), item (v), multiplied by 16 percent.

(c) The additional tax under this subdivision is due on the day which is six months after the date of the disposition or cessation in paragraph (a).

**EFFECTIVE DATE.** This section is effective for decedents dying after December 31, 2006.

Sec. 7. Minnesota Statutes 2006, section 291.215, subdivision 1, is amended to read:

Subdivision 1. **Determination.** All property includable in the Minnesota gross estate of a decedent shall be valued in accordance with the provisions of sections 2031 or 2032 and, if applicable, 2032A, of the Internal Revenue Code and any elections made in valuing the federal gross estate shall be applicable in valuing the Minnesota gross estate. ~~Values for purposes of the estate tax on both probate and nonprobate assets shall be the same as those finally determined for purposes of the federal estate tax on a decedent's estate.~~ Except as otherwise provided in section 291.075, the value of all property includable in the Minnesota gross estate of a decedent may be independently determined under those sections of the Internal Revenue Code for Minnesota estate tax purposes.

**EFFECTIVE DATE.** This section is effective retroactively for estates of decedents dying after December 31, 2005.

Sec. 8. **[295.90] HOCKEY HERITAGE SURCHARGE.**

Subdivision 1. **Imposition.** A surcharge of ten cents is imposed on each ticket or admission to a professional men's hockey game held in the state.

Subd. 2. **Collection, remittance.** The surcharge imposed under this subdivision shall be collected by the professional men's hockey team or association sponsoring or holding the hockey game. The team or association shall annually report the surcharge on a form prescribed by the commissioner of revenue and remit the surcharge with the return to the commissioner of revenue by March 15 of the following calendar year.

Subd. 3. **Administration.** The commissioner of revenue shall have authority to administer, collect, enforce, refund, and audit the surcharge under this section. Interest on late payments or refunds of the surcharge shall be at the rates specified under section 289A.55, and penalties for failure to file, pay, or underpay the surcharge shall be at the rates provided under section 289A.60, subdivision 1, paragraph (e), and subdivision 2.

Subd. 4. **Deposit of revenues.** The commissioner of revenue shall deposit all revenues, including penalty and interest, derived from the surcharge imposed in this section in the hockey surcharge account in the special revenue fund. The amount deposited under this section is appropriated to the Iron Range Resources and Rehabilitation Board for payment to the city of Eveleth to be used for the support of the Hockey Hall of Fame Museum provided that it continues to operate in the city. Payments under this section for the Hockey Hall of Fame Museum are in addition to and must not be used to supplant funding under section 298.28, subdivision 9c.

Sec. 9. Minnesota Statutes 2006, section 296A.18, subdivision 4, is amended to read:

Subd. 4. **All-terrain vehicle.** Approximately ~~0.15~~ 0.27 of one percent of all gasoline received in or produced or brought into this state, except gasoline used for aviation purposes, is being used for the operation of all-terrain vehicles in this state, and of the total revenue derived from the imposition of the gasoline fuel tax, ~~0.15~~ 0.27 of one percent is the amount of tax on fuel used in all-terrain vehicles operated in this state.

**EFFECTIVE DATE.** This section is effective for revenue received after June 30, 2008.

Sec. 10. Minnesota Statutes 2006, section 297E.02, is amended by adding a subdivision to read:

Subd. 12. **Tax rates for fiscal years 2008 to 2010.** (a) Notwithstanding the provisions of subdivisions 1, 4, and 6, the tax rates under this subdivision apply in lieu of the rates in those subdivisions for the periods specified.

(b) For purposes of subdivision 1, a rate of 7.9 percent must be used for gross receipts received after June 30, 2007, and before July 1, 2010.

(c) For purposes of subdivision 4, paragraph (a), a tax rate of 1.6 percent applies from July 1, 2007, through June 30, 2010, and a refund or credit rate of 1.65 percent applies for the February 2008 and February 2011 monthly returns and a refund or credit rate of 1.6 percent applies for the February 2009 and February 2010 monthly returns.

(d) For purposes of subdivision 6, the following combined receipts tax rates apply for fiscal years 2008, 2009, and 2010:

If combined receipts  
for the fiscal year are:

The tax is:

Not over \$500,000

zero

Over \$500,000, but  
not over \$700,000

1.6 percent of the amount over  
\$500,000, but not over \$700,000

Over \$700,000, but  
not over \$900,000

\$3,200 plus 3.2 percent of the amount over  
\$700,000, but not over \$900,000

Over \$900,000

\$9,600 plus 4.7 percent of the  
amount over \$900,000

**EFFECTIVE DATE.** This section is effective on July 1, 2007.

Sec. 11. Minnesota Statutes 2006, section 297F.01, is amended by adding a subdivision to read:

Subd. 10b. **Moist snuff.** "Moist snuff" means any finely cut, ground, or powdered smokeless tobacco that is intended to be placed or dipped in the oral cavity.

Sec. 12. Minnesota Statutes 2006, section 297F.01, subdivision 19, is amended to read:

Subd. 19. **Tobacco products.** "Tobacco products" means cigars; little cigars; cheroots; stogies; periques; granulated, plug cut, crimp cut, ready rubbed, and other smoking tobacco; snuff, including moist snuff and dry snuff; snuff flour; cavendish; plug and twist tobacco; fine-cut and other chewing tobacco; shorts; refuse scraps, clippings, cuttings and sweepings of tobacco, and other kinds and forms of tobacco, prepared in such manner as to be suitable for chewing or smoking in a pipe or otherwise, or both for chewing and smoking; but does not include cigarettes as defined in this section.

Sec. 13. Minnesota Statutes 2006, section 297F.05, subdivision 3, is amended to read:

Subd. 3. **Rates; tobacco products.** A tax is imposed upon all tobacco products in this state and upon any person engaged in business as a distributor, at the ~~rate~~ rates of:

(i) 35 percent of the wholesale sales price of the tobacco products ~~other than moist snuff~~; and

(ii) in the case of moist snuff, the greater of (A) 91 cents per ounce on the net weight of the moist snuff in ounces, including a proportionate tax at the like rate on any fractional parts of an ounce, as listed by the manufacturer and rounded up to the nearest one-tenth of an ounce, or (B) \$1.09 per container.

The tax is imposed at the time the distributor:

- (1) brings, or causes to be brought, into this state from outside the state tobacco products for sale;
- (2) makes, manufactures, or fabricates tobacco products in this state for sale in this state; or
- (3) ships or transports tobacco products to retailers in this state, to be sold by those retailers.

**EFFECTIVE DATE.** This section is effective July 1, 2007, but does not apply to any moist snuff (i) that was in the inventory of a distributor, wholesaler, or retail dealer within this state on that date, and (ii) as to which the tax levied by Minnesota Statutes, section 297F.05, subdivision 3, and the tobacco health impact fee levied by Minnesota Statutes, section 256.9658, subdivision 3, paragraph (b), had been paid as of August 1, 2007.

Sec. 14. Minnesota Statutes 2006, section 297F.05, subdivision 4, is amended to read:

Subd. 4. **Use tax; tobacco products.** A tax is imposed upon the use or storage by consumers of tobacco products in this state, and upon such consumers, at the ~~rate~~ rates of:

(i) 35 percent of the cost to the consumer of the tobacco products ~~other than moist snuff~~; and

(ii) in the case of moist snuff, the greater of (A) 91 cents per ounce on the net weight of the moist snuff in ounces, including a proportionate tax at the like rate on any fractional parts of an ounce, as listed by the manufacturer and rounded up to the nearest one-tenth of an ounce, or (B) \$1.09 per container.

**EFFECTIVE DATE.** This section is effective July 1, 2007, but does not apply to any moist snuff (i) that was in the inventory of a distributor, wholesaler, or retail dealer within this state on that date, or in the possession of a consumer within this state on that date, and (ii) as to which the tax levied by Minnesota Statutes, section 297F.05, subdivisions 3 and 4, and the tobacco health impact fee levied by Minnesota Statutes, section 256.9658, subdivision 3, paragraph (b), had been paid as of August 1, 2007.

Sec. 15. Minnesota Statutes 2006, section 297F.05, is amended by adding a subdivision to read:

**Subd. 8. Adjustment for inflation.** (a) Each year the rates of tax applicable to moist snuff under subdivisions 3 and 4 are adjusted for inflation as provided in this section. The inflation adjusted rate of tax applies to sales, use and possession of moist snuff during the calendar year.

(b) In making the inflation adjustment under this subdivision for a calendar year, the commissioner shall adjust the tax rate by the percentage determined under the section 1(f) of the Internal Revenue Code of 1986, except that in section 1(f)(3)(B) the word "2007" is substituted for the word "1992." For 2009, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2007, to the 12 months ending on August 31, 2008, and in each subsequent year, from the 12 months ending on August 31, 2007, to the 12 months ending on August 31 of the year preceding the calendar year. The amount as adjusted must be rounded to the nearest cent. If the amount ends in 0.5 cent, the amount is rounded up to the nearest cent.

(c) The determination of the commissioner under this subdivision is not a "rule" and is not subject to the Administrative Procedure Act in chapter 14.

**EFFECTIVE DATE.** This section is effective beginning for calendar year 2009.

Sec. 16. Minnesota Statutes 2006, section 297F.21, subdivision 3, is amended to read:

**Subd. 3. Inventory; judicial determination; appeal; disposition of seized property.** (a) Within ten days after the seizure of any alleged contraband, the person making the seizure shall serve by certified mail an inventory of the property seized on the person from whom the seizure was made, if known, and on any person known or believed to have any right, title, interest, or lien in the property, at the last known address, and file a copy with the commissioner. The notice must include an explanation of the right to demand a judicial forfeiture determination.

(b) Within 60 days after the date of service of the inventory, which is the date of mailing, the person from whom the property was seized or any person claiming an interest in the property may file a demand for a judicial determination of the question as to whether the property was lawfully subject to seizure and forfeiture. The demand must be in the form of a civil complaint and must be filed with the court administrator in the county in which the seizure occurred, together with proof of service of a copy of the complaint on the commissioner of revenue, and the standard filing fee for civil actions unless the petitioner has the right to sue in forma pauperis under section 563.01. If the value of the seized property is \$7,500 or less, the claimant may file an action in conciliation court for recovery of the property. If the value of the seized property is less than \$500, the claimant does not have to pay the conciliation court filing fee.

(c) The complaint must be captioned in the name of the claimant as plaintiff and the seized property as defendant, and must state with specificity the grounds on which the claimant alleges the property was improperly seized and the plaintiff's interest in the property seized. No responsive pleading is required of the commissioner, and no court fees may be charged for the commissioner's appearance in the matter. The proceedings are governed by the Rules of Civil Procedure. Notwithstanding any law to the contrary, an action for the return of property seized under this section may not be maintained by or on behalf of any person who has been served with an inventory unless the person has complied with this subdivision. The court shall decide whether the alleged contraband is contraband, as defined in subdivision 1. The court shall hear the action without a jury and shall try and determine the issues of fact and law involved.

(d) When a judgment of forfeiture is entered, ~~the commissioner may~~, unless the judgment is stayed pending an appeal, either the commissioner:

(1) ~~deliver the forfeited cigarette packages or tobacco products to the commissioner of human services for use by patients in state institutions~~ may authorize the forfeited property to be used for the purpose of enforcing a criminal provision of state or federal law;

(2) ~~shall cause the property in clause (1) forfeited cigarette packages or tobacco products not used under clause (1) to be destroyed; or~~ and products used under clause (1) to be destroyed upon the completion of use; and

(3) ~~may cause the forfeited property, other than forfeited cigarette packages or tobacco products,~~ to be sold at public auction as provided by law.

The person making a sale, after deducting the expense of keeping the property, the fee for seizure, and the costs of the sale, shall pay all liens according to their priority, which are established as being bona fide and as existing without the lienor having any notice or knowledge that the property was being used or was intended to be used for or in connection with the violation. The balance of the proceeds must be paid 75 percent to the Department of Revenue for deposit as a supplement to its operating fund or similar fund for official use, and 25 percent to the county attorney or other prosecuting agency that handled the court proceeding, if there is one, for deposit as a supplement to its operating fund or similar fund for prosecutorial purposes. If there is no prosecuting authority involved in the forfeiture, the 25 percent of the proceeds otherwise designated for the prosecuting authority must be deposited into the general fund.

(e) If no demand for judicial determination is made, the property seized is considered forfeited to the state by operation of law and may be disposed of by the commissioner as provided in the case of a judgment of forfeiture.

**EFFECTIVE DATE.** This section is effective for forfeitures after June 30, 2007.

Sec. 17. Minnesota Statutes 2006, section 297I.15, is amended by adding a subdivision to read:

Subd. 11. **Premiums paid to certain foreign insurance companies.** With respect to the state employees group insurance program established under sections 43A.23 to 43A.31, premiums paid for life insurance and accidental death and dismemberment insurance for eligible employees and dependents, including premiums paid by employees or dependents for optional coverage, are exempt from the taxes imposed under this chapter to the extent the premiums are paid to a foreign insurance company domiciled in a state that exempts its state employee group life insurance program from premium taxes.

**EFFECTIVE DATE.** This section is effective for premiums paid after December 31, 2006.

Sec. 18. **[383D.75] DAKOTA COUNTY DEED AND MORTGAGE TAX.**

Subdivision 1. **Authority to impose; rate.** (a) The governing body of Dakota County may impose a mortgage registry and deed tax.

(b) The rate of the mortgage registry tax equals .0001 of the principal.

(c) The rate of the deed tax equals .0001 of the amount.

Subd. 2. **General law provisions apply.** The taxes under this section apply to the same base and must be imposed, collected, administered, and enforced in the same manner as provided under chapter 287 for the state mortgage registry and deed taxes. All the provisions of chapter 287 apply to these taxes, except the rate is as specified in subdivision 1, the term "Dakota County" must be substituted for "the state," and the revenue must be deposited as provided in subdivision 3.

Subd. 3. **Deposit of revenues.** All revenues from the tax are for the use of the Dakota County Board of Commissioners and must be deposited in the county's environmental response fund under section 383D.76.

Sec. 19. **[383D.76] DAKOTA COUNTY ENVIRONMENTAL RESPONSE FUND.**

Subdivision 1. **Creation.** An environmental response fund is created for the purposes specified in this section. The taxes imposed by section 383D.75 must be deposited in the fund. The Board of County Commissioners shall administer the fund either as a county board, a housing and redevelopment authority, or a regional rail authority.

Subd. 2. **Uses of fund.** The fund created in subdivision 1 must be used for the following purposes:

(1) acquisition through purchase or condemnation of lands or property which are polluted or contaminated with hazardous substances;

(2) paying the costs associated with indemnifying or holding harmless the entity taking title to lands or property from any liability arising out of the ownership, remediation, or use of the land or property;

(3) paying for the costs of remediating the acquired land or property;

(4) paying the costs associated with remediating lands or property which are polluted or contaminated with hazardous substances; or

(5) paying for the costs associated with improving the property for economic development, recreational, housing, transportation or rail traffic.

Subd. 3. **Matching funds.** In expending funds under this section, the county shall seek matching funds from contamination cleanup funds administered by the commissioner of the Department of Employment and Economic Development, the Metropolitan Council, the federal government, the private sector, and any other source.

Subd. 4. **Bonds.** The county may pledge the proceeds from the taxes imposed by section 383D.75 to bonds issued under this chapter and chapters 398A, 462, 469, and 475.

Subd. 5. **Land sales.** Land or property acquired under this section may be resold at fair market value. Proceeds from the sale of the land must be deposited in the environmental response fund.

Sec. 20. **[383E.235] ANOKA COUNTY DEED AND MORTGAGE TAX.**

Subdivision 1. **Authority to impose; rate.** (a) The governing body of Anoka County may impose a mortgage registry and deed tax.

(b) The rate of the mortgage registry tax equals .0001 of the principal.

(c) The rate of the deed tax equals .0001 of the amount.

Subd. 2. **General law provisions apply.** The taxes under this section apply to the same base and must be imposed, collected, administered, and enforced in the same manner as provided under chapter 287 for the state mortgage registry and deed taxes. All the provisions of chapter 287 apply to these taxes, except the rate is as specified in subdivision 1, the term "Anoka County" must be substituted for "the state," and the revenue must be deposited as provided in subdivision 3.

Subd. 3. **Deposit of revenues.** All revenues from the tax are for the use of the Anoka County Board of Commissioners and must be deposited in the county's environmental response fund under section 383E.236.

Sec. 21. **[383E.236] ANOKA COUNTY ENVIRONMENTAL RESPONSE FUND.**

Subdivision 1. **Creation.** An environmental response fund is created for the purposes specified in this section. The taxes imposed by section 383E.235 must be deposited in the fund. The Board of County Commissioners shall administer the fund either as a county board, a housing and redevelopment authority, or a regional rail authority.

Subd. 2. **Uses of fund.** The fund created in subdivision 1 must be used for the following purposes:

(1) acquisition through purchase or condemnation of lands or property which are polluted or contaminated with hazardous substances;

(2) paying the costs associated with indemnifying or holding harmless the entity taking title to lands or property from any liability arising out of the ownership, remediation, or use of the land or property;

(3) paying for the costs of remediating the acquired land or property;

(4) paying the costs associated with remediating lands or property which are polluted or contaminated with hazardous substances; or

(5) paying for the costs associated with improving the property for economic development, recreation, housing, transportation, or rail traffic.

Subd. 3. **Matching funds.** In expending funds under this section, the county shall seek matching funds from contamination cleanup funds administered by the commissioner of the Department of Employment and Economic Development, the Metropolitan Council, the federal government, the private sector, and any other source.

Subd. 4. **Bonds.** The county may pledge the proceeds from the taxes imposed by section 383E.235 to bonds issued under this section and Minnesota Statutes, chapters 398A, 462, 469, and 475.

Subd. 5. **Land sales.** Land or property acquired under this section may be resold at fair market value. Proceeds from the sale of the land must be deposited in the environmental response fund.

Subd. 6. **DOT assistance.** The commissioner of transportation shall collaborate with the county and any affected municipality by providing technical assistance and support in cleaning up a contaminated site related to a trunk highway or railroad improvement.

Sec. 22. **REPEALER.**

Minnesota Statutes 2006, sections 383A.80, subdivision 4; and 383B.80, subdivision 4, are repealed.

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

ARTICLE 10

DEPARTMENT INCOME AND FRANCHISE TAXES

Section 1. Minnesota Statutes 2006, section 270A.03, subdivision 5, is amended to read:



Subd. 5. **Debt.** (a) "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.

(b) 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.~~ (c) The commissioner shall adjust the income amounts in paragraph (b) by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "1999" shall be substituted for the word "1992." For 2001, the commissioner shall then determine the percent change from the 12 months ending on August 31, 1999, to the 12 months ending on August 31, 2000, and in each subsequent year, from the 12 months ending on August 31, 1999, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14. The income amount as adjusted must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount.

(d) 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.

**EFFECTIVE DATE.** This section is effective for debts incurred after December 31, 2006.

Sec. 2. Minnesota Statutes 2006, section 289A.08, subdivision 11, is amended to read:

Subd. 11. **Information included in income tax return.** (a) The return must state:

(1) the name of the taxpayer, or taxpayers, if the return is a joint return, and the address of the taxpayer in the same name or names and same address as the taxpayer has used in making the taxpayer's income tax return to the United States, ~~and must state;~~

(2) the date or dates of birth of the taxpayer or taxpayers;

(3) the Social Security number of the taxpayer, or taxpayers, if a Social Security number has been issued by the United States with respect to the taxpayers, ~~and must state; and~~

(4) the amount of the taxable income of the taxpayer as it appears on the federal return for the taxable year to which the Minnesota state return applies.

(b) The taxpayer must attach to the taxpayer's Minnesota state income tax return a copy of the federal income tax return that the taxpayer has filed or is about to file for the period, unless the taxpayer is eligible to telefile the federal return and does file the Minnesota return by telefiling.

**EFFECTIVE DATE.** This section is effective for tax years beginning after December 31, 2006.

Sec. 3. Minnesota Statutes 2006, section 289A.09, subdivision 2, is amended to read:

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

(1) name of the person;

(2) the name of the employee or payee and the employee's or payee's Social Security account number;

(3) the total amount of wages as that term is defined in section 290.92, subdivision 1, paragraph (1); the total amount of remuneration subject to withholding under section 290.92, subdivision 20; the amount of sick pay as required under section 6051(f) of the Internal Revenue Code; and the amount of royalties subject to withholding under section 290.923, subdivision 2; and

(4) the total amount deducted and withheld as tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2.

(b) The statement required to be furnished by ~~this~~ paragraph (a) with respect to any remuneration must be furnished at those times, must contain the information required, and must be in the form the commissioner prescribes.

(c) The commissioner may prescribe rules providing for reasonable extensions of time, not in excess of 30 days, to employers or payers required to give the statements to their employees or payees under this subdivision.

(d) A duplicate of any statement made under this subdivision and in accordance with rules prescribed by the commissioner, along with a reconciliation in the form the commissioner prescribes of the statements for the calendar year, including a reconciliation of the quarterly returns required to be filed under subdivision 1, must be filed with the commissioner on or before February 28 of the year after the payments were made.

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

(f) The employer must submit the statements required to be sent to the commissioner ~~on magnetic media, if the magnetic media was~~ in the same manner required to satisfy the federal reporting requirements of section 6011(e) of the Internal Revenue Code and the regulations issued under it. For wages paid in calendar year 2007, an employer must submit statements to the commissioner required by this section by electronic means if the employer is required to send more than 100 statements to the commissioner, even though the employer is not required to submit the returns federally by electronic means. For calendar year 2008, the 100 statements threshold is reduced to 25, and for calendar year 2009 and thereafter, the threshold is reduced to ten.

(g) A "third-party bulk filer" as defined in section 290.92, subdivision 30, paragraph (a), clause (2), must submit the returns required by this subdivision and subdivision 1, paragraph (a), with the commissioner by electronic means.

**EFFECTIVE DATE.** This section is effective for wages paid after December 31, 2006.

Sec. 4. Minnesota Statutes 2006, section 289A.12, subdivision 14, is amended to read:

Subd. 14. **Regulated investment companies; reporting exempt-interest dividends.** (a) A regulated investment company paying \$10 or more in exempt-interest dividends to an individual who is a resident of Minnesota must make a return indicating the amount of the exempt-interest dividends, the name, address, and Social Security number of the recipient, and any other information that the commissioner specifies. The return must be provided to the shareholder no later than 30 days after the close of the taxable year. The return provided to the shareholder must include a clear statement, in the form prescribed by the commissioner, that the exempt-interest dividends must be included in the computation of Minnesota taxable income. ~~The commissioner may by notice and demand require the regulated investment company~~ is required in a manner prescribed by the commissioner to file a copy of the return with the commissioner.

(b) This subdivision applies to regulated investment companies required to register under chapter 80A.

(c) For purposes of this subdivision, the following definitions apply.

(1) "Exempt-interest dividends" mean exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, but does not include the portion of exempt-interest dividends that are not required to be added to federal taxable income under section 290.01, subdivision 19a, clause (1)(ii).

(2) "Regulated investment company" means regulated investment company as defined in section 851(a) of the Internal Revenue Code or a fund of the regulated investment company as defined in section 851(g) of the Internal Revenue Code.

**EFFECTIVE DATE.** This section is effective for tax years beginning after December 31, 2006.

Sec. 5. Minnesota Statutes 2006, 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 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; or 4 to 10, ~~or 14~~, must be filed within 30 days after being demanded by the commissioner.

**EFFECTIVE DATE.** This section is effective for tax years beginning after December 31, 2006.

Sec. 6. Minnesota Statutes 2006, section 289A.60, subdivision 8, is amended to read:

Subd. 8. **Penalty for Penalties; failure to file informational return; incorrect taxpayer identification number.** (a) In the case of a failure to file an informational return required by section 289A.12 with the commissioner on the date prescribed (determined with regard to any extension of time for filing), the person failing to file the return shall pay a penalty of \$50 for each failure or in the case of a partnership, S corporation, or fiduciary return, \$50 for each partner, shareholder, or beneficiary; but the total amount imposed on the delinquent person for all failures during any calendar year must not exceed \$25,000. If a failure to file a return is due to intentional disregard of the filing requirement, then the penalty imposed under the preceding sentence must not be less than an amount equal to:

(1) in the case of a return not described in clause (2) or (3), ten percent of the aggregate amount of the items required to be reported;

(2) in the case of a return required to be filed under section 289A.12, subdivision 5, five percent of the gross proceeds required to be reported; and

(3) in the case of a return required to be filed under section 289A.12, subdivision 9, relating to direct sales, \$100 for each failure; however, the total amount imposed on the delinquent person for intentional failures during a calendar year must not exceed \$50,000. The penalty must be collected in the same manner as a delinquent income tax.

**(b) If a partnership or S corporation files a partnership or S corporation return with an incorrect tax identification number used for a partner or shareholder after being notified by the commissioner that the identification number is incorrect, the partnership or S corporation must pay a penalty of \$50 for each such incorrect number.**

**EFFECTIVE DATE.** This section is effective for returns filed after December 31, 2007.

Sec. 7. Minnesota Statutes 2006, section 289A.60, subdivision 12, is amended to read:

Subd. 12. **Penalties relating to property tax refunds.** (a) If it is determined that a property tax refund claim is excessive and was negligently prepared, a claimant is liable for a penalty of ten percent of the corrected claim must be disallowed claim. If the claim has been paid, the amount disallowed must be recovered by assessment and collection.

(b) An owner who without reasonable cause fails to give a certificate of rent constituting property tax to a renter, as required by section 290A.19, paragraph (a), is liable to the commissioner for a penalty of \$100 for each failure.

(c) If the owner or managing agent knowingly gives rent certificates that report total rent constituting property taxes in excess of the amount of actual rent constituting property taxes paid on the rented part of a property, the owner or managing agent is liable for a penalty equal to the greater of (1) \$100 or (2) 50 percent of the excess that is reported. An overstatement of rent constituting property taxes is presumed to be knowingly made if it exceeds by ten percent or more the actual rent constituting property taxes.

**EFFECTIVE DATE.** This section is effective for property tax refund claims filed on or after July 1, 2007.

Sec. 8. Minnesota Statutes 2006, section 289A.60, subdivision 27, is amended to read:

Subd. 27. **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 reportable transaction 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 determined without regard to the understatement.

(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 federal income tax liability.

(d) Paragraph (a) applies by substituting "30 percent" for "20 percent" with respect to the portion of any reportable transaction understatement with respect to which the disclosure requirements of section 289A.121, subdivision 5, and section 6664(d)(2)(A) of the Internal Revenue Code are not met.

(e)(1) No penalty applies under this subdivision with respect to any portion of a reportable transaction understatement if the taxpayer shows that there was reasonable cause for the portion and that the taxpayer acted in good faith with respect to the portion. This paragraph applies only if:

(i) the relevant facts affecting the tax treatment of the item are adequately disclosed as required under section 289A.121;

(ii) there is or was substantial authority for the treatment; and

(iii) the taxpayer reasonably believed that the treatment was more likely than not the proper treatment.

(2) A taxpayer who did not adequately disclose under section 289A.121 meets the requirements of clause (1)(i), if the commissioner abates the penalty imposed by subdivision 26, paragraph (d), under section 270C.34, subdivision 26, paragraph (g).

(3) For purposes of clause (1)(iii), a taxpayer is treated as having a reasonable belief with respect to the tax treatment of an item only if the belief:

(i) is based on the facts and law that exist when the return of tax which includes the tax treatment is filed; and

(ii) relates solely to the taxpayer's chances of success on the merits of the treatment and does not take into account the possibility that a return will not be audited, the treatment will not be raised on audit, or the treatment will be resolved through settlement if it is raised.

(4) An opinion of a tax advisor may not be relied upon to establish the reasonable belief of a taxpayer if:

(i) the tax advisor:

(A) is a material advisor, as defined in section 289A.121, and participates in the organization, management, promotion, or sale of the transaction or is related (within the meaning of section 267(b) or 707(b)(1) of the Internal Revenue Code) to any person who so participates;

(B) is compensated directly or indirectly by a material advisor with respect to the transaction;

(C) has a fee arrangement with respect to the transaction which is contingent on all or part of the intended tax benefits from the transaction being sustained; or

(D) has a disqualifying financial interest with respect to the transaction, as determined under United States Treasury regulations prescribed to implement the provisions of section 6664(d)(3)(B)(ii)(IV) of the Internal Revenue Code; or

(ii) the opinion:

(A) is based on unreasonable factual or legal assumptions, including assumptions as to future events;

(B) unreasonably relies on representations, statements, findings, or agreements of the taxpayer or any other person;

(C) does not identify and consider all relevant facts; or

(D) fails to meet any other requirement as the Secretary of the Treasury may prescribe under federal law.

(f) The penalty imposed by this subdivision applies in lieu of the penalty imposed under subdivision 4.

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

Sec. 9. Minnesota Statutes 2006, section 289A.60, is amended by adding a subdivision to read:

**Subd. 28. Preparer identification number.** Any Minnesota individual income tax return or claim for refund prepared by a "tax refund or return preparer" as defined in subdivision 13, paragraph (f), shall bear the identification number the preparer is required to use federally under section 6109(a)(4) of the Internal Revenue Code. A tax refund or return preparer who prepares a Minnesota individual income tax return or claim for refund and fails to include the required number on the return or claim is subject to a penalty of \$50 for each failure.

**EFFECTIVE DATE.** This section is effective for returns prepared for tax years beginning after December 31, 2006.

Sec. 10. Minnesota Statutes 2006, section 290.06, subdivision 33, is amended to read:

**Subd. 33. Bovine testing credit.** (a) An owner of cattle in Minnesota may take a credit against the tax due under this chapter for an amount equal to one-half the expenses incurred during the taxable year to conduct tuberculosis testing on those cattle.

(b) If the amount of credit which the taxpayer is eligible to receive under this subdivision exceeds the taxpayer's tax liability under this chapter, the commissioner of revenue shall refund the excess to the taxpayer.

(c) The amount necessary to pay claims for the refund provided in this subdivision is appropriated from the general fund to the commissioner of revenue.

(d) Expenses incurred in a calendar year in which tuberculosis testing of cattle in Minnesota is not federally required are not allowed in claiming the credit under paragraph (a).

**EFFECTIVE DATE.** This section is effective for tax years beginning after December 31, 2007.

Sec. 11. Minnesota Statutes 2006, section 290.067, subdivision 2b, is amended to read:

Subd. 2b. **Inflation adjustment.** The commissioner shall adjust the dollar amount of the income threshold at which the maximum credit begins to be reduced under subdivision 2 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, 1999, and ending August 31, 2000, as the base year for adjusting for inflation for the tax year beginning after December 31, 2000. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act, by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "1999" shall be substituted for the word "1992." For 2001, the commissioner shall then determine the percent change from the 12 months ending on August 31, 1999, to the 12 months ending on August 31, 2000, and in each subsequent year, from the 12 months ending on August 31, 1999, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision must not be considered a "rule" and is not subject to the Administrative Procedure Act contained in chapter 14. The threshold amount as adjusted must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount.

**EFFECTIVE DATE.** This section is effective for tax years beginning after December 31, 2006.

Sec. 12. Minnesota Statutes 2006, section 290.0671, subdivision 7, is amended to read:

Subd. 7. **Inflation adjustment.** The earned income amounts used to calculate the credit and the income thresholds at which the maximum credit begins to be reduced in subdivision 1 must be adjusted for inflation. The commissioner shall 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 shall be determined from the year starting September 1, 1999, and ending August 31, 2000, as the base year for adjusting for inflation for the tax year beginning after December 31, 2000. adjust by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "1999" shall be substituted for the word "1992." For 2001, the commissioner shall then determine the percent change from the 12 months ending on August 31, 1999, to the 12 months ending on August 31, 2000, and in each subsequent year, from the 12 months ending on August 31, 1999, to the 12 months ending on August 31 of the year preceding the taxable year. The earned income thresholds as adjusted for inflation must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

**EFFECTIVE DATE.** This section is effective for tax years beginning after December 31, 2006.

Sec. 13. Minnesota Statutes 2006, section 290.191, subdivision 8, is amended to read:

Subd. 8. **Deposit; definition.** (a) "Deposit," as used in subdivision ~~7~~ 6, paragraph (n), has the meanings in this subdivision.

(b) "Deposit" means the unpaid balance of money or its equivalent received or held by a financial institution in the usual course of business and for which it has given or is obligated to give credit, either conditionally or unconditionally, to a commercial, checking, savings, time, or thrift account whether or not advance notice is required to withdraw the credited funds, or which is evidenced by its certificate of deposit, thrift certificate, investment certificate, or certificate of indebtedness, or other similar name, or a check or draft drawn against a deposit account and certified by the financial institution, or a letter of credit or a traveler's check on which the



financial institution is primarily liable. However, without limiting the generality of the term "money or its equivalent," any such account or instrument must be regarded as evidencing the receipt of the equivalent of money when credited or issued in exchange for checks or drafts or for a promissory note upon which the person obtaining the credit or instrument is primarily or secondarily liable, or for a charge against a deposit account, or in settlement of checks, drafts, or other instruments forwarded to the bank for collection.

(c) "Deposit" means trust funds received or held by the financial institution, whether held in the trust department or held or deposited in any other department of the financial institution.

(d) "Deposit" means money received or held by a financial institution, or the credit given for money or its equivalent received or held by a financial institution, in the usual course of business for a special or specific purpose, regardless of the legal relationship so established. Under this paragraph, "deposit" includes, but is not limited to, escrow funds, funds held as security for an obligation due to the financial institution or others, including funds held as dealers reserves, or for securities loaned by the financial institution, funds deposited by a debtor to meet maturing obligations, funds deposited as advance payment on subscriptions to United States government securities, funds held for distribution or purchase of securities, funds held to meet its acceptances or letters of credit, and withheld taxes. It does not include funds received by the financial institution for immediate application to the reduction of an indebtedness to the receiving financial institution, or under condition that the receipt of the funds immediately reduces or extinguishes the indebtedness.

(e) "Deposit" means outstanding drafts, including advice or another such institution, cashier's checks, money orders, or other officer's checks issued in the usual course of business for any purpose, but not including those issued in payment for services, dividends, or purchases or other costs or expenses of the financial institution itself.

(f) "Deposit" means money or its equivalent held as a credit balance by a financial institution on behalf of its customer if the entity is engaged in soliciting and holding such balances in the regular course of its business.

(g) Interinstitution fund transfers are not deposits.

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

Sec. 14. Minnesota Statutes 2006, section 290A.03, subdivision 7, is amended to read:

Subd. 7. **Dependent.** "Dependent" means any person who is considered a dependent under sections 151 and 152 of the Internal Revenue Code. ~~In the case of a son, stepson, daughter, or stepdaughter of the claimant, amounts received as a Minnesota family investment program grant, allowance to or on behalf of the child, surplus food, or other relief in kind supplied by a governmental agency must not be taken into account in determining whether the child received more than half of the child's support from the claimant.~~

**EFFECTIVE DATE.** This section is effective for property tax refunds based on rents paid after December 31, 2006, and property taxes payable after December 31, 2007.

## ARTICLE 11

### DEPARTMENT SALES AND USE TAXES

Section 1. Minnesota Statutes 2006, 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~~ when the bad debt was (1) written off as uncollectible in the taxpayer's books and records, and (2) either eligible to be deducted for federal income tax purposes or would have been eligible for a bad debt deduction for federal income tax purposes if the taxpayer were required to file a federal income tax return, or within one year from the date the taxpayer's federal income tax return is timely filed claiming the bad debt deduction, whichever period is later. 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. For purposes of reporting a payment received on previously claimed bad debt under chapter 297A, any payments made on a debt or account are applied first proportionally to the taxable price of the property or service and the sales tax on it, and secondly to interest, service charges, and any other charges.

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

Sec. 2. Minnesota Statutes 2006, section 289A.56, is amended by adding a subdivision to read:

Subd. 8. **Border city zone refunds.** Notwithstanding subdivision 3, for refunds payable under section 469.1734, subdivision 6, 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, 2007.

Sec. 3. Minnesota Statutes 2006, section 289A.60, subdivision 25, is amended to read:

Subd. 25. **Penalty for failure to properly complete sales and use tax return.** A person who fails to report local ~~sales tax~~ taxes required to be reported on a sales and use tax return or who fails to report local ~~sales tax~~ taxes on separate tax lines on the sales and use tax return is subject to a penalty of five percent of the amount of tax not properly reported on the return. A person who files a consolidated tax return but fails to report location information is subject to a \$500 penalty for each return not containing location information. In addition, the commissioner may revoke the privilege for a taxpayer to file consolidated returns and may require the taxpayer to separately register each location and to file a tax return for each location.

**EFFECTIVE DATE.** This section is effective for returns filed after June 30, 2007.

Sec. 4. Minnesota Statutes 2006, section 289A.60, is amended by adding a subdivision to read:

Subd. 29. **Penalty for failure to report liquor sales.** In the case of a failure to file an informational return required by section 297A.8155 with the commissioner on or before the date prescribed, the person failing to file the report shall pay a penalty of \$500 each failure. If a failure to file a report is intentional, the penalty shall be \$1,000 each failure.

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

Sec. 5. Minnesota Statutes 2006, 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;

(4) dietary supplements; and

(5) all food sold through vending machines.

(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, including furnishing the guest of the facility with access to telecommunication services, 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, unless the aggregate materials are deposited substantially in place. Aggregate material is deposited substantially in place if the aggregate material is deposited directly from the transporting vehicle, or through spreaders from the transporting vehicle, at the actual place where it will be graded or compacted; 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 services and pest control 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 "retail sale" 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" means those entities that would be classified as members of an affiliated group as defined under United States Code, title 26, section 1504, disregarding the exclusions in section 1504(b).

(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 ancillary services associated with telecommunication services,~~ cable television services ~~and~~ direct satellite services, ~~and ring tones.~~ ~~Telecommunications~~ Telecommunication services include, but are not limited to, the following services, as defined in section 297A.669: air-to-ground radiotelephone service, mobile telecommunication service, postpaid calling service, prepaid calling service, prepaid wireless calling service, and private communication services. The services in this paragraph 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 for sales and purchases made after June 30, 2007, except that the amendments to paragraphs (g), clause (2), and (i), are effective for sales and purchases made on or after January 1, 2008.

Sec. 6. Minnesota Statutes 2006, 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 10,000 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.

(m) A sale of a bundled transaction in which one or more of the products included in the bundle is a taxable product is a retail sale, except that if one of the products is a telecommunication service, ancillary service, Internet access, or audio or video programming service, and the seller has maintained books and records identifying through reasonable and verifiable standards the portions of the price that are attributable to the distinct and separately identifiable products, then the products are not considered part of a bundled transaction. For purposes of this paragraph:

(1) the books and records maintained by the seller must be maintained in the regular course of business, and do not include books and records created and maintained by the seller primarily for tax purposes;

(2) books and records maintained in the regular course of business include, but are not limited to, financial statements, general ledgers, invoicing and billing systems and reports, and reports for regulatory tariffs and other regulatory matters; and

(3) books and records are maintained primarily for tax purposes when the books and records identify taxable and nontaxable portions of the price, but the seller maintains other books and records that identify different prices attributable to the distinct products included in the same bundled transaction.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 7. Minnesota Statutes 2006, section 297A.61, subdivision 7, is amended to read:

Subd. 7. **Sales price.** (a) "Sales price" means the measure subject to sales tax, and means the total amount of consideration, including cash, credit, personal property, and services, for which personal property or services are sold, leased, or rented, valued in money, whether received in money or otherwise, without any deduction for the following:

- (1) the seller's cost of the property sold;
- (2) the cost of materials used, labor or service cost, interest, losses, all costs of transportation to the seller, all taxes imposed on the seller, and any other expenses of the seller;
- (3) charges by the seller for any services necessary to complete the sale, other than delivery and installation charges;
- (4) delivery charges, except the percentage of the delivery charge allocated to delivery of tax exempt property, when the delivery charge is allocated by using either (i) a percentage based on the total sales price of the taxable property compared to the total sales price of all property in the shipment, or (ii) a percentage based on the total weight of the taxable property compared to the total weight of all property in the shipment; and
- (5) installation charges; ~~and,~~
- (6) ~~the value of exempt property given to the purchaser when taxable and exempt personal property have been bundled together and sold by the seller as a single product or piece of merchandise.~~

(b) Sales price does not include:

- (1) discounts, including cash, terms, or coupons, that are not reimbursed by a third party and that are allowed by the seller and taken by a purchaser on a sale;
- (2) interest, financing, and carrying charges from credit extended on the sale of personal property or services, if the amount is separately stated on the invoice, bill of sale, or similar document given to the purchaser; and
- (3) any taxes legally imposed directly on the consumer that are separately stated on the invoice, bill of sale, or similar document given to the purchaser.

(c) Sales price includes consideration received by the seller from third parties if:

- (1) the seller actually receives consideration from a party other than the purchaser and the consideration is directly related to a price reduction or discount on the sale;
- (2) the seller has an obligation to pass the price reduction or discount through to the purchaser;
- (3) the amount of the consideration attributable to the sale is fixed and determinable by the seller at the time of the sale of the item to the purchaser; and
- (4) one of the following criteria is met:

(i) the purchaser presents a coupon, certificate, or other documentation to the seller to claim a price reduction or discount when the coupon, certificate, or documentation is authorized, distributed, or granted by a third party with the understanding that the third party will reimburse any seller to whom the coupon, certificate, or documentation is presented;

(ii) the purchaser identifies himself or herself to the seller as a member of a group or organization entitled to a price reduction or discount. A "preferred customer" card that is available to any customer does not constitute membership in such a group; or

(iii) the price reduction or discount is identified as a third-party price reduction or discount on the invoice received by the purchaser or on a coupon, certificate, or other documentation presented by the purchaser.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008, except that the amendment to paragraph (a), clause (4), is effective the day following final enactment.

Sec. 8. Minnesota Statutes 2006, section 297A.61, subdivision 10, is amended to read:

Subd. 10. **Tangible personal property.** (a) "Tangible personal property" means personal property that can be seen, weighed, measured, felt, or touched, or that is in any other manner perceptible to the senses. "Tangible personal property" includes, but is not limited to, electricity, water, gas, steam, and ~~prewritten computer software, and prepaid calling cards.~~

(b) Tangible personal property does not include:

(1) large ponderous machinery and equipment used in a business or production activity which at common law would be considered to be real property;

(2) property which is subject to an ad valorem property tax;

(3) property described in section 272.02, subdivision 9, clauses (a) to (d); and

(4) property described in section 272.03, subdivision 2, clauses (3) and (5).

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 9. Minnesota Statutes 2006, section 297A.61, subdivision 24, is amended to read:

Subd. 24. **Telecommunications services.** (a) "Telecommunications services" means the electronic transmission, conveyance, or routing of voice, data, audio, video, or any other information or signals to a point, or between or among points, ~~by or through any electronic, satellite, optical, microwave, or other medium or method now in existence or hereafter devised, regardless of the protocol used for such transmission, conveyance, or routing.~~

~~(b) Telecommunications services includes the furnishing for consideration of access to telephone services by a hotel to its guests. include transmission, conveyance, or routing in which computer processing applications are used to act on the form, code, or protocol of the content for purposes of transmission, conveyance, or routing, without regard to whether the service is referred to as voice over Internet protocol services or is classified by the Federal Communications Commission as enhanced or value added.~~

(c) Telecommunications services do not include:

~~(1) services purchased with a prepaid telephone calling card;~~



~~(2) private communication service purchased by an agent acting on behalf of the State Lottery;~~

~~(3) information services; and~~

~~(4) purchases of telecommunications when the purchaser uses the purchased services as a component part of or integrates such service into another telecommunications service that is sold by the purchaser in the normal course of business.~~

~~(d) For purposes of this subdivision, "information services" means the offering of the capability for generating, acquiring, storing, transforming, processing, retrieving, utilizing, or making available information.~~

(1) data processing and information services that allow data to be generated, acquired, stored, processed, or retrieved and delivered by an electronic transmission to a purchaser when the purchaser's primary purpose for the underlying transaction is the processed data or information;

(2) installation or maintenance of wiring or equipment on a customer's premises;

(3) tangible personal property;

(4) advertising, including, but not limited to, directory advertising;

(5) billing and collection services provided to third parties;

(6) Internet access service;

(7) radio and television audio and video programming services, regardless of the medium, including the furnishing of transmission, conveyance, and routing of such services by the programming service provider. Radio and television audio and video programming services includes, but is not limited to, cable service as defined in United States Code, title 47, section 522(6), and audio and video programming services delivered by commercial mobile radio service providers, as defined in Code of Federal Regulations, title 47, section 20.3;

(8) ancillary services; or

(9) digital products delivered electronically, including, but not limited to, software, music, video, reading materials, or ring tones.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 10. Minnesota Statutes 2006, section 297A.61, is amended by adding a subdivision to read:

**Subd. 38. Bundled transaction.** (a) "Bundled transaction" means the retail sale of two or more products when the products are otherwise distinct and identifiable, and the products are sold for one nonitemized price. As used in this subdivision, "product" includes tangible personal property, services, intangibles, and digital goods, but does not include real property or services to real property. A bundled transaction does not include the sale of any products in which the sales price varies, or is negotiable, based on the selection by the purchaser of the products included in the transaction.

(b) For purposes of this subdivision, "distinct and identifiable" products does not include:

(1) packaging and other materials, such as containers, boxes, sacks, bags, and bottles, wrapping, labels, tags, and instruction guides, that accompany the retail sale of the products and are incidental or immaterial to the retail sale. Examples of packaging that are incidental or immaterial include grocery sacks, shoe boxes, dry cleaning garment bags, and express delivery envelopes and boxes;

(2) a promotional product provided free of charge with the required purchase of another product. A promotional product is provided free of charge if the sales price of another product, which is required to be purchased in order to receive the promotional product, does not vary depending on the inclusion of the promotional product; and

(3) items included in the definition of sales price.

(c) For purposes of this subdivision, the term "one nonitemized price" does not include a price that is separately identified by product on binding sales or other supporting sales-related documentation made available to the customer in paper or electronic form including, but not limited to an invoice, bill of sale, receipt, contract, service agreement, lease agreement, periodic notice of rates and services, rate card, or price list.

(d) A transaction that otherwise meets the definition of a bundled transaction is not a bundled transaction if it is:

(1) the retail sale of tangible personal property and a service and the tangible personal property is essential to the use of the service, and is provided exclusively in connection with the service, and the true object of the transaction is the service;

(2) the retail sale of services if one service is provided that is essential to the use or receipt of a second service and the first service is provided exclusively in connection with the second service and the true object of the transaction is the second service;

(3) a transaction that includes taxable products and nontaxable products and the purchase price or sales price of the taxable products is de minimis; or

(4) the retail sale of exempt tangible personal property and taxable tangible personal property if:

(i) the transaction includes food and food ingredients, drugs, durable medical equipment, mobility enhancing equipment, over-the-counter drugs, prosthetic devices, or medical supplies; and

(ii) the seller's purchase price or sales price of the taxable tangible personal property is 50 percent or less of the total purchase price or sales price of the bundled tangible personal property. Sellers must not use a combination of the purchase price and sales price of the tangible personal property when making the 50 percent determination for a transaction.

(e) For purposes of this subdivision, "purchase price" means the measure subject to use tax on purchases made by the seller, and "de minimis" means that the seller's purchase price or sales price of the taxable products is ten percent or less of the total purchase price or sales price of the bundled products. Sellers shall use either the purchase price or the sales price of the products to determine if the taxable products are de minimis. Sellers must not use a combination of the purchase price and sales price of the products to determine if the taxable products are de minimis. Sellers shall use the full term of a service contract to determine if the taxable products are de minimis.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 11. Minnesota Statutes 2006, section 297A.61, is amended by adding a subdivision to read:

Subd. 39. **Ancillary services.** "Ancillary services" means services that are associated with or incidental to the provision of telecommunications services, including, but not limited to, conference bridging service, detailed telecommunications billing, directory assistance, vertical service, and voice mail services.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 12. Minnesota Statutes 2006, section 297A.61, is amended by adding a subdivision to read:

Subd. 40. **Conference bridging service.** "Conference bridging service" means an ancillary service that links two or more participants of an audio or video conference call and may include the provision of a telephone number. Conference bridging service does not include the telecommunications services used to reach the conference bridge.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 13. Minnesota Statutes 2006, section 297A.61, is amended by adding a subdivision to read:

Subd. 41. **Detailed telecommunications billing service.** "Detailed telecommunications billing service" means an ancillary service of separately stating information pertaining to individual calls on a customer's billing statement.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 14. Minnesota Statutes 2006, section 297A.61, is amended by adding a subdivision to read:

Subd. 42. **Directory assistance.** "Directory assistance" means an ancillary service of providing telephone number information or address information, or both.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 15. Minnesota Statutes 2006, section 297A.61, is amended by adding a subdivision to read:

Subd. 43. **Vertical service.** "Vertical service" means an ancillary service that is offered in connection with one or more telecommunications services and which offers advanced calling features that allow customers to identify callers and to manage multiple calls and call connections, including conference bridging services.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 16. Minnesota Statutes 2006, section 297A.61, is amended by adding a subdivision to read:

Subd. 44. **Voice mail service.** "Voice mail service" means an ancillary service that enables the customer to store, send, or receive recorded messages. Voice mail service does not include any vertical services that the customer may be required to have in order to utilize the voice mail service.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 17. Minnesota Statutes 2006, section 297A.61, is amended by adding a subdivision to read:

Subd. 45. **Ring tone.** "Ring tone" means a digitized sound file that is downloaded onto a device and that may be used to alert the customer of a telecommunication service with respect to a communication.

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

Sec. 18. Minnesota Statutes 2006, section 297A.61, is amended by adding a subdivision to read:

Subd. 46. **Fur clothing.** "Fur clothing" means human wearing apparel that is required by the Federal Fur Products Labeling Act, United States Code, title 15, section 69, to be labeled as a fur product, and the value of the fur components in the product is more than three times the value of the next most valuable tangible component. For purposes of this subdivision, "fur" means any animal skin or part of an animal skin with hair, fleece, or fur fibers attached to it, either in its raw or processed state, but does not include animal skins that have been converted into leather or suede, or from which the hair, fleece, or fur fiber has been completely removed in processing the skins.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after July 1, 2007.

Sec. 19. Minnesota Statutes 2006, section 297A.63, subdivision 1, is amended to read:

Subdivision 1. **Use of tangible personal property or taxable services.** (a) For the privilege of using, storing, distributing, or consuming in Minnesota tangible personal property or taxable services purchased for use, storage, distribution, or consumption in this state, a use tax is imposed on a person in Minnesota. The tax is imposed on the purchase price of retail sales of the tangible personal property or taxable services at the rate of tax imposed under section 297A.62. A person that purchases property from a Minnesota retailer and returns the tangible personal property to a point within Minnesota, except in the course of interstate commerce, after it was delivered outside of Minnesota, is subject to the use tax.

(b) No tax is imposed under paragraph (a) if the tax imposed by section 297A.62 was paid on the sales price of the tangible personal property or taxable services.

(c) No tax is imposed under paragraph (a) if the purchase meets the requirements for exemption under section 297A.67, subdivision 21.

(d) When a transaction otherwise meets the definition of a bundled transaction, but is not a bundled transaction under section 297A.61, subdivision 38, paragraph (d), and the seller's purchase price of the taxable product or taxable tangible personal property is equal to or greater than \$100, then use tax is imposed on the purchase price of the taxable product or taxable personal property. For purposes of this paragraph, "purchase price" means the measure subject to use tax on purchases made by the seller.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 20. Minnesota Statutes 2006, section 297A.665, is amended to read:

**297A.665 PRESUMPTION OF TAX; BURDEN OF PROOF.**

(a) For the purpose of the proper administration of this chapter and to prevent evasion of the tax, until the contrary is established, it is presumed that:

(1) all gross receipts are subject to the tax; and

(2) all retail sales for delivery in Minnesota are for storage, use, or other consumption in Minnesota.

(b) The burden of proving that a sale is not a taxable retail sale is on the seller. ~~However, the seller may take from the purchaser at the time of the sale a fully completed exemption certificate which conclusively relieves the seller from collecting and remitting the tax. This~~ However, a seller is relieved of liability if:

(1) the seller obtains a fully completed exemption certificate or all the relevant information required by section 297A.72, subdivision 2, at the time of the sale or within 90 days after the date of the sale; or

(2) if the seller has not obtained a fully completed exemption certificate or all the relevant information required by section 297A.72, subdivision 2, within the time provided in clause (1), within 120 days after a request for substantiation by the commissioner, the seller either:

(i) obtains in good faith a fully completed exemption certificate or all the relevant information required by section 297A.72, subdivision 2, from the purchaser; or

(ii) proves by other means that the transaction was not subject to tax.

(c) Notwithstanding paragraph (b), relief from liability does not apply to a seller who:

(1) fraudulently fails to collect the tax; or

(2) solicits purchasers to participate in the unlawful claim of an exemption. If a seller claiming that certain sales are exempt is not in possession of the required exemption certificates within 60 days after receiving written notice from the commissioner that the certificates are required, deductions claimed by the seller that required delivery of the certificates must be disallowed. If the certificates are delivered to the commissioner within the 60 day period, the commissioner may verify the reason or basis for the exemption claimed in the certificates before allowing any deductions. A deduction must not be granted on the basis of certificates delivered to the commissioner after the 60-day period.

(d) A purchaser of tangible personal property or any items listed in section 297A.63 that are shipped or brought to Minnesota by the purchaser has the burden of proving that the property was not purchased from a retailer for storage, use, or consumption in Minnesota.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 21. Minnesota Statutes 2006, section 297A.669, subdivision 3, is amended to read:

Subd. 3. **Defined telecommunications services sourcing.** The sale of the following telecommunication services shall be sourced to each level of taxing jurisdiction in paragraphs (a) to (d).

(a) A sale of mobile telecommunications services, other than air-to-ground radiotelephone service and prepaid calling service, is sourced to the customer's place of primary use as required by the Mobile Telecommunications Sourcing Act.

(b) A sale of postpaid calling service is sourced to the origination point of the telecommunications signal as first identified by either:

(1) the seller's telecommunications system; or

(2) information received by the seller from its service provider, where the system used to transport such signals is not that of the seller.

(c) A sale of prepaid calling service or prepaid wireless calling service is sourced in accordance with section 297A.668, subdivision 2. However, in the case of a sale of ~~mobile telecommunications service that is a prepaid telecommunications~~ wireless calling service, the rule provided in section 297A.668, subdivision 2, paragraph (f), shall include as an option the location associated with the mobile telephone number.

(d) A sale of a private communication service is sourced as follows:

(1) service for a separate charge related to a customer channel termination point is sourced to each level of jurisdiction in which the customer channel termination point is located;

(2) service where all customer termination points are located entirely within one jurisdiction or levels of jurisdiction is sourced in such jurisdiction in which the customer channel termination points are located;

(3) service for segments of a channel between two customer channel termination points located in different jurisdictions and which segment of channel are separately charged is sourced 50 percent in each level of jurisdiction in which the customer channel termination points are located; and

(4) service for segments of a channel located in more than one jurisdiction or levels of jurisdiction and which segments are not separately billed is sourced in each jurisdiction based on the percentage determined by dividing the number of customer channel termination points in the jurisdiction by the total number of customer channel termination points.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 22. Minnesota Statutes 2006, section 297A.669, subdivision 13, is amended to read:

Subd. 13. **Postpaid calling service.** "Postpaid calling service," for purposes of this section, means the telecommunications service obtained by making a payment on a call-by-call basis either through the use of a credit card or payment mechanism such as a bank card, travel card, credit card, or debit card, or by a charge made to a telephone number that is not associated with the origination or termination of the telecommunications service. A postpaid calling service includes a telecommunications service, except a prepaid wireless calling service, that would be a prepaid calling service except it is not exclusively a telecommunication service.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 23. Minnesota Statutes 2006, section 297A.669, subdivision 14, is amended to read:

Subd. 14. **Prepaid calling service.** "Prepaid calling service," for purposes of this section, means a telecommunications service that:

(1) provides the right to access exclusively telecommunications services,~~which;~~

(2) must be paid for in advance~~and which;~~

(3) enables the origination of calls using an access number or authorization code, whether manually or electronically dialed;~~and that~~

(4) is sold in predetermined units or dollars of which the number declines with use in a known amount.

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

Sec. 24. Minnesota Statutes 2006, section 297A.669, is amended by adding a subdivision to read:

Subd. 14a. **Prepaid wireless calling service.** "Prepaid wireless calling service," for purposes of this section, means a telecommunications service that:

(1) provides the right to utilize mobile wireless service as well as other nontelecommunications services, including the download of digital products delivered electronically, content, and ancillary services;

(2) must be paid for in advance; and

(3) is sold in predetermined units or dollars of which the number declines with use in a known amount.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 25. Minnesota Statutes 2006, section 297A.669, is amended by adding a subdivision to read:

**Subd. 17. Ancillary service.** The sale of an ancillary service is sourced to the customer's place of primary use.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 26. Minnesota Statutes 2006, section 297A.67, subdivision 8, is amended to read:

Subd. 8. **Clothing.** (a) Clothing is exempt. For purposes of this subdivision, "clothing" means all human wearing apparel suitable for general use.

(b) Clothing includes, but is not limited to, aprons, household and shop; athletic supporters; baby receiving blankets; bathing suits and caps; beach capes and coats; belts and suspenders; boots; coats and jackets; costumes; children and adult diapers, including disposable; ear muffs; footlets; formal wear; garters and garter belts; girdles; gloves and mittens for general use; hats and caps; hosiery; insoles for shoes; lab coats; neckties; overshoes; pantyhose; rainwear; rubber pants; sandals; scarves; shoes and shoe laces; slippers; sneakers; socks and stockings; steel-toed boots; underwear; uniforms, athletic and nonathletic; and wedding apparel.

(c) Clothing does not include the following:

(1) belt buckles sold separately;

(2) costume masks sold separately;

(3) patches and emblems sold separately;

(4) sewing equipment and supplies, including but not limited to, knitting needles, patterns, pins, scissors, sewing machines, sewing needles, tape measures, and thimbles;

(5) sewing materials that become part of clothing, including but not limited to, buttons, fabric, lace, thread, yarn, and zippers;

(6) clothing accessories or equipment;

(7) sports or recreational equipment; and

(8) protective equipment.

Clothing also does not include ~~apparel made from fur if a uniform definition of "apparel made from fur" is developed by the member states of the Streamlined Sales and Use Tax Agreement~~ "fur clothing" as defined in section 297A.61, subdivision 46.

For purposes of this subdivision, "clothing accessories or equipment" means incidental items worn on the person or in conjunction with clothing. Clothing accessories and equipment include, but are not limited to, briefcases; cosmetics; hair notions, including barrettes, hair bows, and hairnets; handbags; handkerchiefs; jewelry; nonprescription sunglasses; umbrellas; wallets; watches; and wigs and hairpieces. "Sports or recreational equipment" means items designed for human use and worn in conjunction with an athletic or recreational activity that are not suitable for general use. Sports and recreational equipment includes, but is not limited to, ballet and tap shoes; cleated or spiked athletic shoes; gloves, including, but not limited to, baseball, bowling, boxing, hockey, and golf gloves; goggles; hand and elbow guards; life preservers and vests; mouth guards; roller and ice skates; shin guards; shoulder pads; ski boots; waders; and wetsuits and fins. "Protective equipment" means items for human wear and designed as protection of the wearer against injury or disease or as protection against damage or injury of other persons or property but not suitable for general use. Protective equipment includes, but is not limited to, breathing masks; clean room apparel and equipment; ear and hearing protectors; face shields; finger guards; hard hats; helmets; paint or dust respirators; protective gloves; safety glasses and goggles; safety belts; tool belts; and welders gloves and masks.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after July 1, 2007.

Sec. 27. Minnesota Statutes 2006, section 297A.67, subdivision 9, is amended to read:

Subd. 9. **Baby products.** Breast pumps, baby bottles and nipples, pacifiers, teething rings, and infant syringes are exempt.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after the day following final enactment.

Sec. 28. Minnesota Statutes 2006, section 297A.68, subdivision 11, is amended to read:

Subd. 11. **Advertising materials.** Materials designed to advertise and promote the sale of merchandise or services are exempt if these materials are mailed or transferred to a person outside the state for use solely outside the state. Mailing and reply envelopes and cards and other shipping materials including, but not limited to, boxes, labels, containers, and banding, used exclusively in connection with these advertising and promotional materials are included in this exemption. The exemption applies regardless of where the mailing occurs. The storage of these materials in the state for the purpose of subsequently shipping or otherwise transferring the material out of state is also exempt if the other conditions in this subdivision are met. For purposes of this subdivision, materials that have a primary purpose other than advertising, such as fulfilling a legal obligation or furnishing nonadvertising information, are not materials designed to advertise and promote the sale of merchandise or services even if they do include advertising content.

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

Sec. 29. Minnesota Statutes 2006, section 297A.68, subdivision 16, is amended to read:

Subd. 16. **Packing materials.** Packing materials used to pack and ship household goods and that are provided to and remain with the customer of a for-hire carrier are exempt if the ultimate destination of the goods is outside Minnesota and if the ~~goods~~ packing materials are not later returned to a point within Minnesota, except in the course of interstate commerce. This exemption does not apply to tools, equipment, pads, or accessories owned or leased by the for-hire carrier.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2007.



Sec. 30. Minnesota Statutes 2006, section 297A.68, subdivision 35, is amended to read:

Subd. 35. **Telecommunications, cable television, and direct satellite equipment.** (a) Telecommunications, cable television, or direct satellite machinery and equipment purchased or leased for use directly by a telecommunications, cable television, or direct satellite service provider primarily in the provision of telecommunications, cable television, or direct satellite 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, cable television, or direct satellite 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, cable television, or direct satellite 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, cable television, or direct satellite 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, cable television, or direct satellite equipment; and software necessary to the operation of the telecommunications, cable television, or direct satellite 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, paragraphs (a), (c), and (d).~~

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 31. Minnesota Statutes 2006, section 297A.70, subdivision 7, is amended to read:

Subd. 7. **Hospitals and outpatient surgical centers.** (a) Sales, except for those listed in paragraph (c), to a hospital are exempt, if the items purchased are used in providing hospital services. For purposes of this subdivision, "hospital" means a hospital organized and operated for charitable purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, and licensed under chapter 144 or by any other jurisdiction, and "hospital services" are services authorized or required to be performed by a "hospital" under chapter 144.

(b) Sales, except for those listed in paragraph (c), to an outpatient surgical center are exempt, if the items purchased are used in providing outpatient surgical services. For purposes of this subdivision, "outpatient surgical center" means an outpatient surgical center organized and operated for charitable purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, and licensed under chapter 144 or by any other jurisdiction. For the purposes of this subdivision, "outpatient surgical services" means: (1) services authorized or required to be performed by an outpatient surgical center under chapter 144; and (2) urgent care. For purposes of this subdivision, "urgent care" means health services furnished to a person whose medical condition is sufficiently acute to require treatment unavailable through, or inappropriate to be provided by, a clinic or physician's office, but not so acute as to require treatment in a hospital emergency room.

(c) This exemption does not apply to the following products and services:

(1) purchases made by a clinic, physician's office, or any other medical facility not operating as a hospital or outpatient surgical center, even though the clinic, office, or facility may be owned and operated by a hospital or outpatient surgical center;

(2) sales under section 297A.61, subdivision 3, paragraph (g), clause (2), and prepared food, candy, and soft drinks;

(3) building and construction materials used in constructing buildings or facilities that will not be used principally by the hospital or outpatient surgical center;

(4) building, construction, or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a hospital or outpatient surgical center; or

(5) the leasing of a motor vehicle as defined in section 297B.01, subdivision 5.

(d) A limited liability company also qualifies for exemption under this subdivision if (1) it consists of a sole member that would qualify for the exemption, and (2) the items purchased qualify for the exemption.

(e) An entity that contains both a hospital and a nonprofit unit may claim this exemption on purchases made for both the hospital and nonprofit unit provided that:

(1) the nonprofit unit would have qualified for exemption under subdivision 4; and

(2) the items purchased would have qualified for the exemption.

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

Sec. 32. Minnesota Statutes 2006, section 297A.70, is amended by adding a subdivision to read:

Subd. 18. **Private communication service for State Lottery.** Private communication service, as defined in section 297A.61, subdivision 26, is exempt if the service is purchased by an agent acting on behalf of the State Lottery.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 33. Minnesota Statutes 2006, section 297A.72, is amended to read:

#### **297A.72 EXEMPTION CERTIFICATES.**

Subd. 2. **Content and form of exemption certificate.** An exemption certificate must be substantially in the form prescribed by the commissioner ~~and~~. To be fully completed, the exemption certificate must:

(1) either be signed by the purchaser if it is a paper form, or meet the requirements of section 270C.304 if in electronic form;

(2) bear the name and address of the purchaser; ~~and~~

(3) indicate the ~~sales tax account~~ identification number, if any, issued to the purchaser; as follows:

(i) the purchaser's Minnesota tax identification number;

(ii) if the purchaser does not have a Minnesota tax identification number, then the purchaser's state tax identification number that is issued by a state other than Minnesota, and the name of that state;

(iii) if the purchaser does not have an identification number described in either item (i) or (ii), then the purchaser's federal Employer Identification Number; or

(iv) if the purchaser does not have an identification number described in item (i), (ii), or (iii), then either the number of the purchaser's state-issued driver's license, if valid in the state of issue, or if the purchaser does not have a driver's license, a valid state-issued identification number, and the name of the state of issue;

(4) indicate the purchaser's type of business, using a business-type coding system prescribed by the commissioner; and

(5) indicate the reason for the exemption, using an exemption reason coding system prescribed by the commissioner.

Subd. 3. **Purchaser requirement.** A blanket exemption certificate is an exemption certificate used for continuing future purchases. A purchaser using a blanket exemption certificate must update it as needed to accurately reflect the information that is required under subdivision 2.

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

Sec. 34. **[297A.8155] LIQUOR REPORTING REQUIREMENTS; PENALTY.**

A person who sells liquor, as defined in section 295.75, subdivision 1, in Minnesota to a retailer that sells liquor, shall file with the commissioner an annual informational report, in the form and manner prescribed by the commissioner, indicating the volume of liquor sold to each retailer in the previous calendar year. The report must be filed on or before February 28 of each calendar year beginning in 2008. A person failing to file this report is subject to the penalty imposed under Minnesota Statutes, section 289A.60.

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

Sec. 35. Minnesota Statutes 2006, section 297A.90, subdivision 2, is amended to read:

Subd. 2. **Payment of tax.** (a) Persons who are registered as retailers may make purchases in this state or import property into this state without payment of the sales or use taxes imposed by this chapter at the time of purchase or importation, if the purchases or importations come within the provisions of this section and are made in strict compliance with the rules of the commissioner.

(b) A person described in subdivision 1 may elect to pay directly to the commissioner any sales or use tax that may be due under this chapter for the acquisition of mobile transportation equipment and parts and accessories attached or to be attached to such equipment registered under section 168.187.

(c) The total cost of such equipment and parts and accessories attached or to be attached to such equipment must be multiplied by a fraction. The numerator of the fraction is the Minnesota mileage as reported on the current pro rata application provided for in section 168.187 and the denominator of the fraction is the total mileage reported on the current pro rata registration application. The amount so determined must be multiplied by the tax rate to obtain the tax due.

In computing the tax under this section "sales price" does not include the amount of any ~~tax, except any manufacturer's or importer's excise tax, imposed by the United States upon or with respect to retail sales, whether taxes imposed directly on the retailer or the consumer that are separately stated on the invoice, bill of sale, or similar document given to the purchaser.~~

(d) A retailer covered by this section shall make a return and remit to the commissioner the tax due for the preceding calendar month in accordance with sections 289A.11 and 289A.20, subdivision 4.

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

Sec. 36. Minnesota Statutes 2006, section 297B.035, subdivision 1, is amended to read:

Subdivision 1. **Ordinary course of business.** Except as provided in this section, motor vehicles purchased solely for resale in the ordinary course of business by any motor vehicle dealer, as defined in section 168.011, subdivision 21, who is licensed under section 168.27, subdivision 2 or 3, including vehicles which bear dealer plates as authorized by section 168.27, subdivision 16, shall be exempt from the provisions of this chapter.

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

Sec. 37. Minnesota Statutes 2006, section 469.1734, subdivision 6, is amended to read:

Subd. 6. **Sales tax exemption; equipment; construction materials.** (a) The gross receipts from the sale of machinery and equipment and repair parts are exempt from taxation under chapter 297A, if the machinery and equipment:

- (1) are used in connection with a trade or business;
  - (2) are placed in service in a city that is authorized to designate a zone under section 469.1731, regardless of whether the machinery and equipment are used in a zone; and
  - (3) have a useful life of 12 months or more.
- (b) The gross receipts from the sale of construction materials are exempt, if they are used to construct:
- (1) a facility for use in a trade or business located in a city that is authorized to designate a zone under section 469.1731, regardless of whether the facility is located in a zone; or
  - (2) housing that is located in a zone.

The exemptions under this paragraph apply regardless of whether the purchase is made by the owner, the user, or a contractor.

(c) A purchaser may claim an exemption under this subdivision for tax on the purchases up to, but not exceeding:

- (1) the amount of the tax credit certificates received from the city, less
- (2) any tax credit certificates used under the provisions of subdivisions 4 and 5, and section 469.1732, subdivision 2.

(d) The tax on sales of items exempted under this subdivision shall be imposed and collected as if the applicable rate under section 297A.62 applied. Upon application by the purchaser, on forms prescribed by the commissioner, a refund equal to the tax paid shall be paid to the purchaser. The application must include sufficient information to permit the commissioner to verify the sales tax paid and the eligibility of the claimant to receive the credit. No more than two applications for refunds may be filed under this subdivision in a calendar year. The provisions of section 289A.40 apply to the refunds payable under this subdivision. There is annually appropriated to the commissioner of revenue the amount required to make the refunds, which must be deducted from the amount of the city's allocation under section 469.169, subdivision 12, that remains available and its limitation under section 469.1735.

(e) The amount to be refunded shall bear interest at the rate in section 270C.405 from ~~the date~~ 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, 2007.

Sec. 38. **FUR TAX PAYMENTS.**

(a) Furriers must file the annual return, required by Minnesota Statutes, section 295.60, subdivision 5, which otherwise would be due March 15, 2008, by September 15, 2007.

(b) If a furrier is required by Minnesota Statutes, section 295.60, subdivision 3, to make installments of quarterly estimates, then the furrier shall make the last installment by July 15, 2007.

**EFFECTIVE DATE.** Effective July 1, 2007, for sales and purchases made prior to July 1, 2007.

Sec. 39. **REPEALER.**

(a) Minnesota Statutes 2006, section 295.60, is repealed.

(b) Minnesota Statutes 2006, section 297A.61, subdivision 20, is repealed.

(c) Minnesota Statutes 2006, section 297A.668, subdivision 6, is repealed.

(d) Minnesota Statutes 2006, section 297A.67, subdivision 22, is repealed.

**EFFECTIVE DATE.** Paragraph (a) is effective for sales and purchases made on or after July 1, 2007; paragraph (b) is effective for sales and purchases made on or after January 1, 2008; and paragraphs (c) and (d) are effective the day following final enactment.

ARTICLE 12

DEPARTMENT PROPERTY TAXES AND AIDS

Section 1. Minnesota Statutes 2006, section 270.071, subdivision 7, is amended to read:

Subd. 7. **Flight property.** "Flight property" means all aircraft and flight equipment used in connection therewith, including spare flight equipment. Flight property also includes computers and computer software used in operating, controlling, or regulating aircraft and flight equipment.

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

Sec. 2. Minnesota Statutes 2006, section 270.072, subdivision 2, is amended to read:

Subd. 2. **Assessment of flight property.** ~~The Flight property of that is owned by, or is leased, loaned, or otherwise made available to~~ all airline companies operating in Minnesota shall be assessed and appraised annually by the commissioner with reference to its value on January 2 of the assessment year in the manner prescribed by sections 270.071 to 270.079. Aircraft with a gross weight of less than 30,000 pounds and used on intermittent or irregularly timed flights shall be excluded from the provisions of sections 270.071 to 270.079.

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

Sec. 3. Minnesota Statutes 2006, section 270.072, subdivision 3, is amended to read:

Subd. 3. **Report by airline company.** ~~Each year, on or before July 1, every airline company engaged in air commerce in this state shall file with the commissioner on or before the time fixed by the commissioner a report under oath setting forth specifically the information prescribed by the commissioner to enable the commissioner to make the assessment required in sections 270.071 to 270.079, unless the commissioner determines that the airline company or person should be excluded from filing because its activities do not constitute air commerce as defined herein. A penalty of five percent of the tax being assessed is imposed on a late filing of the annual report. If the report is not filed within 30 days, an additional penalty of five percent of the assessed tax is imposed for each additional 30 days or fraction of 30 days until the return is filed. The penalty imposed under this section must not exceed the lesser of \$25,000 or 25 percent of the assessed tax.~~

**EFFECTIVE DATE.** This section is effective beginning January 2, 2007, for taxes payable in 2008 and thereafter.

Sec. 4. Minnesota Statutes 2006, section 270.072, subdivision 6, is amended to read:

Subd. 6. **Airflight property tax lien.** The tax imposed under sections 270.071 to 270.079 is a lien on all real and personal property within this state of the airline company in whose name the property is assessed. ~~For purposes of sections 270C.62 and 270C.63, the date of assessment for the tax imposed under sections 270.071 to 270.079 is~~ The lien attaches on January 2 of each year for the taxes payable in the following year.

**EFFECTIVE DATE.** This section is effective beginning January 2, 2007, for taxes payable in 2008 and thereafter.

Sec. 5. **[270.0725] PENALTIES.**

Subdivision 1. **Penalty for late filing.** If an airline company does not file its annual report by the date designated in section 270.072, subdivision 3, a penalty of five percent of the tax being assessed is imposed on that company. On August 1, and on the first day of each succeeding calendar month, an additional five percent penalty is imposed if the report has not yet been filed. For each airline company, the penalties imposed under this subdivision for any one year are limited to the lesser of \$25,000 or 25 percent of the assessed tax.

Subd. 2. **Penalty for repeated instances of late filing.** If there is a pattern of repeated failures by an airline company to timely file the report required by this section, a penalty of ten percent of the tax being assessed is imposed on that company.

Subd. 3. **Penalty for frivolous report.** If an airline company files a frivolous annual report, a penalty of 25 percent of the tax being assessed is imposed on that company. A frivolous report under this section is a report that would fulfill the criteria for a frivolous return under section 289A.60, subdivision 7, notwithstanding the restriction in section 289A.01. In a proceeding involving the issue of whether or not an airline company is liable for this penalty, the burden of proof is on the commissioner.

Subd. 4. **Penalty for fraudulent report.** If an airline company files a false or fraudulent annual report with intent to evade or defeat the tax, a penalty equal to 50 percent of the tax being assessed is imposed on that company.

Subd. 5. **Penalties added to tax.** Penalties imposed under this section are added to the tax and collected as a part of it.

**EFFECTIVE DATE.** This section is effective for annual reports due on or after July 1, 2007.

Sec. 6. **[270.0735] EXAMINATION; INVESTIGATIONS; SUBPOENAS.**

In addition to the powers granted to the commissioner in this chapter, and in order to determine net tax capacities and issue notices of net tax capacity and tax under sections 270.071 to 270.079, the commissioner has the powers contained in sections 270C.31 and 270C.32, for which purpose the word "taxpayer" as defined in section 270C.01 includes an airline company.

**EFFECTIVE DATE.** This section is effective beginning January 2, 2007, for taxes payable in 2008 and thereafter.

Sec. 7. Minnesota Statutes 2006, section 270.074, subdivision 3, is amended to read:

Subd. 3. **Tax capacity.** (a) The net tax capacity of the flight property of every airline company ~~shall have a tax capacity of~~ is 70 percent of the value thereof apportioned to this state under subdivision 1, except that ~~the net tax capacity of~~ quiet aircraft ~~shall have a tax capacity of~~ is 40 percent of the value determined under subdivision 1. ~~Quiet aircraft shall include~~ "Quiet aircraft" means turboprops and aircraft defined as stage III or IV by the Federal Aeronautics Administration. If, in the opinion of the commissioner, other aircraft may be qualified as quiet aircraft, the commissioner may adopt rules providing additional qualifications.

(b) The flight property of an airline company that owns or leases aircraft the majority of which are turboprops, and which provides, during six months or more of the year that taxes are levied, scheduled passenger service to three or more airports inside or outside of this state that serve small or medium sized communities, shall be assessed at 50 percent of the assessment percentage otherwise set by paragraph (a).

**EFFECTIVE DATE.** This section is effective beginning January 2, 2007, for taxes payable in 2008 and thereafter.

Sec. 8. Minnesota Statutes 2006, section 270.076, subdivision 1, is amended to read:

Subdivision 1. **Appeal.** ~~Any airline company against which a tax has been imposed under sections 270.071 to 270.079 shall have the right to appeal within 60 days from the date of notice of the levy of the tax~~ The notices of net tax capacity and of tax required under section 270.075, subdivision 2, are orders of the commissioner. These orders must be issued in conformance with section 270C.33, subdivisions 1 and 2, but are not subject to administrative review under section 270C.35. These orders may be appealed to the Tax Court in the manner provided ~~by law~~ in section 271.06 for appealing official orders of the commissioner that do not deal with valuation, assessment, or taxation for property tax purposes, and the provisions of section 273.125, subdivisions 4 and 5, and chapter 278 do not apply.

**EFFECTIVE DATE.** This section is effective beginning January 2, 2007, for taxes payable in 2008 and thereafter.

Sec. 9. Minnesota Statutes 2006, section 270.41, subdivision 1, is amended to read:

Subdivision 1. **Creation; purpose; powers.** A Board of Assessors is created. The board shall ~~establish, conduct,~~ review, supervise, coordinate, and approve courses in assessment practices, and establish criteria for determining assessor's qualifications. The board shall also consider other matters relating to assessment administration brought before it by the commissioner of revenue. The board may grant, renew, suspend, or revoke an assessor's license.

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

Sec. 10. Minnesota Statutes 2006, section 270.41, is amended by adding a subdivision to read:

Subd. 1a. **Definition.** For purposes of sections 270.41 to 270.50, "board" means the Board of Assessors.

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

Sec. 11. Minnesota Statutes 2006, section 270.41, subdivision 2, is amended to read:

Subd. 2. **Members.** The board shall consist of nine members, who shall be appointed by the commissioner of revenue, in the manner provided herein. The members shall include:

- (1) two from the Department of Revenue;
- (2) two county assessors;
- (3) two assessors who are not county assessors, one of whom shall be a township assessor;
- (4) one from the private appraisal field holding a professional appraisal designation; and
- (5) two public members as defined by section 214.02.

The appointment provided in clauses (2) and (3) may be made from ~~two lists~~ a list of not less than three names ~~each, one~~ submitted to the commissioner of revenue by the Minnesota Association of Assessing Officers or its successor organization containing recommendations for the appointment of appointees described in ~~clause~~ clauses (2), ~~and one by the Minnesota Association of Assessors, Inc. or its successor organization containing recommendations for the appointees described in clause (3) and (3).~~ The ~~lists~~ list must be submitted 30 days before the commencement of the term. In the case of a vacancy, a new list shall be furnished to the commissioner ~~by the respective organization~~ immediately. A member of the board who is no longer engaged in the capacity ~~listed above that was the basis of appointment~~ is disqualified from membership in the board.

The board shall annually elect a chair and a ~~secretary~~ vice-chair of the board.

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

Sec. 12. Minnesota Statutes 2006, section 270.41, subdivision 3, is amended to read:

Subd. 3. **Licenses; refusal or revocation.** The board may refuse to grant or renew, or may suspend or revoke, a license of an applicant or licensee for any of the following causes or acts:

- (1) failure to complete required training;



(2) inefficiency or neglect of duty;

(3) ~~"unprofessional conduct" which means knowingly neglecting to perform a duty required by law, or violation of the laws of this state relating to the assessment of property or unlawfully exempting property or knowingly and intentionally listing property on the tax list at substantially less than its market value or the level required by law in order to gain favor or benefit, or knowingly and intentionally misclassifying property in order to gain favor or benefit~~ failure to comply with the Code of Conduct and Ethics for Licensed Minnesota Assessors adopted by the board pursuant to Laws 2005, First Special Session chapter 3, article 1, section 38;

(4) conviction of a crime involving moral turpitude; or

(5) any other cause or act that in the board's opinion warrants a refusal to issue or suspension or revocation of a license.

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

Sec. 13. Minnesota Statutes 2006, section 270.41, subdivision 5, is amended to read:

Subd. 5. **Prohibited activity.** ~~An assessor, deputy assessor, assistant assessor, appraiser,~~ A licensed assessor or other person employed by an assessment jurisdiction or contracting with an assessment jurisdiction for the purpose of valuing or classifying property for property tax purposes is prohibited from making appraisals or analyses, accepting an appraisal assignment, or preparing an appraisal report as defined in section 82B.02, subdivisions 2 to 5, on any property within the assessment jurisdiction where the individual is employed or performing the duties of the assessor under contract. Violation of this prohibition shall result in immediate revocation of the individual's license to assess property for property tax purposes. This prohibition must not be construed to prohibit an individual from carrying out any duties required for the proper assessment of property for property tax purposes. If a formal resolution has been adopted by the governing body of a governmental unit, which specifies the purposes for which such work will be done, this prohibition does not apply to appraisal activities undertaken on behalf of and at the request of the governmental unit that has employed or contracted with the individual. The resolution may only allow appraisal activities which are related to condemnations, right-of-way acquisitions, or special assessments.

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

Sec. 14. Minnesota Statutes 2006, section 270.44, is amended to read:

#### **270.44 CHARGES FOR COURSES, EXAMINATIONS OR MATERIALS.**

The board shall charge the following fees:

(1) \$105 for a senior accredited Minnesota assessor license;

(2) \$80 for an accredited Minnesota assessor license;

(3) \$65 for a certified Minnesota assessor specialist license;

(4) \$55 for a certified Minnesota assessor license;

~~(5) \$50 for a course challenge examination;~~

~~(6)~~ (5) \$35 for grading a form appraisal;

- ~~(7)~~ (6) \$60 for grading a narrative appraisal;
- ~~(8)~~ (7) \$30 for a reinstatement fee;
- ~~(9)~~ (8) \$25 for a record retention fee; and
- ~~(10)~~ (9) \$20 for an educational transcript; and
- ~~(11)~~ \$30 for all retests of board-sponsored educational courses.

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

Sec. 15. Minnesota Statutes 2006, section 270.45, is amended to read:

**270.45 DISPOSITION OF FEES.**

All fees so established and collected shall be paid to the commissioner of finance for deposit in the general fund. The expenses of carrying out the provisions of sections 270.41 to 270.53 shall be paid from appropriations made to the board of Assessors.

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

Sec. 16. Minnesota Statutes 2006, section 270.46, is amended to read:

**270.46 TRAINING COURSES, ~~ESTABLISHMENT;~~ OTHER COURSES, REGULATION.**

The board shall ~~establish~~ review and approve training courses on assessment practices ~~and shall review and approve courses on assessment practices,~~ techniques of assessment, and ethics offered by schools, colleges ~~and~~ universities as well as courses that are offered by any units of government on techniques of assessment. ~~Courses shall be established in various places throughout the state and be offered on regular intervals, units of government, and other entities.~~

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

Sec. 17. Minnesota Statutes 2006, section 270.47, is amended to read:

**270.47 RULES.**

The board shall ~~establish the~~ adopt rules necessary to accomplish the purpose of ~~section~~ sections 270.41 to 270.51, and shall establish criteria required of assessing officials in the state. Separate criteria may be established depending upon the responsibilities of the assessor. ~~The board shall prepare and give examinations from time to time to determine whether assessing officials possess the necessary qualifications for performing the functions of the office. Such tests shall be given immediately upon completion of courses required by the board, or to persons who already possess the requisite qualifications under the rules of the board. An action of the board in refusing to grant or renew a license or in suspending or revoking a license is subject to review in accordance with chapter 14.~~

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

Sec. 18. Minnesota Statutes 2006, section 270.48, is amended to read:

**270.48 LICENSURE OF QUALIFIED PERSONS.**

The board ~~shall~~ may license persons as possessing the necessary qualifications of an assessing official. Different levels of licensure may be established as to classes of property which assessors may be certified to assess at the discretion of the board. Every person, except a local or county assessor, regularly employed by the assessor to assist in making decisions regarding valuing and classifying property for assessment purposes ~~shall be required to~~ must become licensed within three years of the date of employment. Licensure shall be required for local and county assessors as ~~otherwise provided in sections 270.41 to 270.53~~ section 273.061 and rules adopted by the board.

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

Sec. 19. Minnesota Statutes 2006, section 270.50, is amended to read:

**270.50 EMPLOYMENT OF LICENSED ASSESSORS.**

No assessor shall be employed who has not been licensed as qualified by the board, provided the time to comply may be extended after application to the board upon a showing that licensed assessors are not available for employment. The board may license ~~that~~ a county or local assessor who has not received the training, but possesses the necessary qualifications for performing the functions of the office by the passage of an approved examination or may waive the examination if such person has demonstrated competence in performing the functions of the office for a period of time the board deems reasonable. ~~The county or local assessing district shall assume the cost of training of its assessors in courses approved by the board for the purpose of obtaining the assessor's license to the extent of course fees, mileage, meals and lodging, and recognized travel expenses not paid by the state. If the governing body of any township or city fails to employ an assessor as required by sections 270.41 to 270.53, the assessment shall be made by the county assessor.~~

~~In the case of cities incorporated or townships organized after April 11, 1974, except cities or towns located in Ramsey county or which have elected a county assessor system in accordance with section 273.055, the board shall allow the city or town 90 days from the date of incorporation or organization to employ a licensed assessor.~~

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

Sec. 20. Minnesota Statutes 2006, section 270C.306, is amended to read:

**270C.306 COMMISSIONER MAY REQUIRE SOCIAL SECURITY OR IDENTIFYING NUMBERS ON FORMS.**

Notwithstanding the provisions of any other law except section 272.115, the commissioner may require that a form required to be filed with the commissioner include the Social Security number, federal employer identification number, or Minnesota taxpayer identification number of the taxpayer or applicant.

**EFFECTIVE DATE.** This section is effective July 1, 2007.

Sec. 21. Minnesota Statutes 2006, section 270C.34, subdivision 1, is amended to read:

Subdivision 1. **Authority.** (a) The commissioner may abate, reduce, or refund any penalty or interest that is imposed by a law administered by the commissioner as a result of the late payment of tax or late filing of a return, if the failure to timely pay the tax or failure to timely file the return is due to reasonable cause, or if the taxpayer is located in a presidentially declared disaster area.

(b) The commissioner shall abate any part of a penalty or additional tax charge under section 289A.25, subdivision 2, or 289A.26, subdivision 4, attributable to erroneous advice given to the taxpayer in writing by an employee of the department acting in an official capacity, if the advice:

(1) was reasonably relied on and was in response to a specific written request of the taxpayer; and

(2) was not the result of failure by the taxpayer to provide adequate or accurate information.

(c) The commissioner may abate a penalty imposed under section 270.0725, subdivision 1 or 2, if the failure to timely file is due to reasonable cause, or if the airline company is located in a presidentially declared disaster area.

**EFFECTIVE DATE.** This section is effective July 1, 2007.

Sec. 22. Minnesota Statutes 2006, 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. 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.

(e) Except for property of a business that was exempt under this subdivision for taxes payable in 2007, a business must notify the county assessor in writing of eligibility under this subdivision by July 1 in order to begin receiving the exemption under this subdivision for taxes payable in the following year. The business need not annually notify the county assessor of its continued exemption under this subdivision, but must notify the county assessor immediately if the exemption no longer applies.

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

Sec. 23. Minnesota Statutes 2006, section 272.115, subdivision 1, is amended to read:

Subdivision 1. **Requirement.** Except as otherwise provided in subdivision 5, whenever any real estate is sold for a consideration in excess of \$1,000, whether by warranty deed, quitclaim deed, contract for deed or any other method of sale, the grantor, grantee or the legal agent of either shall file a certificate of value with the county auditor in the county in which the property is located when the deed or other document is presented for recording. Contract for deeds are subject to recording under section 507.235, subdivision 1. Value shall, in the case of any deed not a

gift, be the amount of the full actual consideration thereof, paid or to be paid, including the amount of any lien or liens assumed. The items and value of personal property transferred with the real property must be listed and deducted from the sale price. The certificate of value shall include the classification to which the property belongs for the purpose of determining the fair market value of the property. The certificate shall include financing terms and conditions of the sale which are necessary to determine the actual, present value of the sale price for purposes of the sales ratio study. The commissioner of revenue shall promulgate administrative rules specifying the financing terms and conditions which must be included on the certificate. ~~Pursuant to the authority of the commissioner of revenue in section 270C.306,~~ The certificate of value must include the Social Security number or the federal employer identification number of the grantors and grantees. However, a married person who is not an owner of record and who is signing a conveyance instrument along with the person's spouse solely because of the requirement in section 507.02 that spouses of owners must sign certain conveyances is not a grantor for the purpose of the preceding sentence. The identification numbers of the grantors and grantees are private data on individuals or nonpublic data as defined in section 13.02, subdivisions 9 and 12, but, notwithstanding that section, the private or nonpublic data may be disclosed to the commissioner of revenue for purposes of tax administration. The information required to be shown on the certificate of value is limited to the information required as of the date of the acknowledgment on the deed or other document to be recorded.

**EFFECTIVE DATE.** This section is effective for certificates of value filed on or after July 1, 2007.

Sec. 24. Minnesota Statutes 2006, section 273.05, is amended by adding a subdivision to read:

Subd. 3. **Cities and townships; employment of licensed assessor.** In the case of cities or townships, except cities or towns located in Ramsey County or which have elected a county assessor system in accordance with section 273.055, the commissioner shall allow the city or town 90 days from the date of incorporation or organization to employ a licensed assessor.

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

Sec. 25. **[273.0535] COUNTY OR LOCAL ASSESSING DISTRICT TO ASSUME COST OF TRAINING.**

The county or local assessing district must assume the cost of training its assessors in courses approved by the board for the purpose of obtaining the assessor's license to the extent of course fees, mileage, meals, and lodging, and recognized travel expenses not paid by the state.

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

Sec. 26. Minnesota Statutes 2006, section 273.111, subdivision 3, is amended to read:

Subd. 3. **Requirements.** (a) Real estate consisting of ten acres or more or a nursery or greenhouse, and qualifying for classification as class 1b, 2a, or 2b under section 273.13, shall be entitled to valuation and tax deferment under this section only if it is primarily devoted to agricultural use, and meets the qualifications in subdivision 6, and either:

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

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

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

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

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

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

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

~~Corporate entities who previously qualified for tax deferment pursuant to this section and who continue to otherwise qualify under subdivisions 3 and 6 for a period of at least three years following the effective date of Laws 1983, chapter 222, section 8, will not be required to make payment of the previously deferred taxes, notwithstanding the provisions of subdivision 9. Special assessments are payable at the end of the three year period or at time of sale, whichever comes first.~~

(c) Land that previously qualified for tax deferment under this section and no longer qualifies because it is not primarily used for agricultural purposes but would otherwise qualify under subdivisions 3 and 6 for a period of at least three years will not be required to make payment of the previously deferred taxes, notwithstanding the provisions of subdivision 9. Sale of the land prior to the expiration of the three-year period requires payment of deferred taxes as follows: sale in the year the land no longer qualifies requires payment of the current year's deferred taxes plus payment of deferred taxes for the two prior years; sale during the second year the land no longer qualifies requires payment of the current year's deferred taxes plus payment of the deferred taxes for the prior year; and sale during the third year the land no longer qualifies requires payment of the current year's deferred taxes. Deferred taxes shall be paid even if the land qualifies pursuant to subdivision 11a. When such property is sold or no longer qualifies under this paragraph, or at the end of the three-year period, whichever comes first, all deferred special assessments plus interest are payable in equal installments spread over the time remaining until the last maturity date of the bonds issued to finance the improvement for which the assessments were levied. If the bonds have matured, the deferred special assessments plus interest are payable within 90 days. The provisions of section 429.061, subdivision 2, apply to the collection of these installments. Penalties are not imposed on any such special assessments if timely paid.

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

Sec. 27. Minnesota Statutes 2006, section 273.117, is amended to read:

**273.117 CONSERVATION PROPERTY TAX VALUATION.**

Real property which is subject to a conservation restriction or easement ~~shall~~ may be entitled to reduced valuation under this section if:

(a) The restriction or easement is for a conservation purpose as defined in section 84.64, subdivision 2, and is recorded on the property;

(b) The property is being used in accordance with the terms of the conservation restriction or easement.

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

Sec. 28. Minnesota Statutes 2006, section 273.121, is amended to read:

**273.121 VALUATION OF REAL PROPERTY, NOTICE.**

Any county assessor or city assessor having the powers of a county assessor, valuing or classifying taxable real property shall in each year notify those persons whose property is to be included on the assessment roll that year if the person's address is known to the assessor, otherwise the occupant of the property. The notice shall be in writing and shall be sent by ordinary mail at least ten days before the meeting of the local board of appeal and equalization under section 274.01 or the review process established under section 274.13, subdivision 1c. Upon written request by the owner of the property, the assessor may send the notice in electronic form or by electronic mail instead of on paper or by ordinary mail. It shall contain: (1) the market value for the current and prior assessment, (2) the limited market value under section 273.11, subdivision 1a, for the current and prior assessment, (3) the qualifying amount of any improvements under section 273.11, subdivision 16, for the current assessment, (4) the market value subject to taxation after subtracting the amount of any qualifying improvements for the current assessment, (5) the classification of the property for the current and prior assessment, (6) a note that if the property is homestead and at least 45 years old, improvements made to the property may be eligible for a valuation exclusion under section 273.11, subdivision 16, (7) the assessor's office address, and (8) the dates, places, and times set for the meetings of the local board of appeal and equalization, the review process established under section 274.13, subdivision 1c, and the county board of appeal and equalization. The commissioner of revenue shall specify the form of the notice. The assessor shall attach to the assessment roll a statement that the notices required by this section have been mailed. Any assessor who is not provided sufficient funds from the assessor's governing body to provide such notices, may make application to the commissioner of revenue to finance such notices. The commissioner of revenue shall conduct an investigation and, if satisfied that the assessor does not have the necessary funds, issue a certification to the commissioner of finance of the amount necessary to provide such notices. The commissioner of finance shall issue a warrant for such amount and shall deduct such amount from any state payment to such county or municipality. The necessary funds to make such payments are hereby appropriated. Failure to receive the notice shall in no way affect the validity of the assessment, the resulting tax, the procedures of any board of review or equalization, or the enforcement of delinquent taxes by statutory means.

**EFFECTIVE DATE.** This section is effective for notices required in 2008 and thereafter.

Sec. 29. Minnesota Statutes 2006, section 273.123, subdivision 2, is amended to read:

Subd. 2. **Reassessment of homestead property.** The county assessor shall reassess all homestead property located within a disaster or emergency area which is physically damaged by the disaster or emergency and shall adjust the valuation for taxes payable the following year to reflect the loss in market value caused by the damage as follows: Subtract the market value of the property as reassessed from the market value of the property as assessed under section 273.01 for January 1 of the year in which the disaster or emergency occurred; multiply the remainder by a fraction, the numerator of which is the number of full months remaining in the year on the date the disaster or emergency occurred, and the denominator of which is 12; subtract the product of the calculation from the market value of the property as assessed for January 1 of the year in which the disaster or emergency occurred; the remainder is the estimated market value to be used for taxes payable the following year. The assessor shall report to the county auditor the net tax capacity based on the assessment of January 1 of for the year in which the disaster or emergency occurred and the net tax capacity based on the reassessment made pursuant to this subdivision.

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

Sec. 30. Minnesota Statutes 2006, section 273.123, subdivision 3, is amended to read:

Subd. 3. **Computation of local tax rates.** ~~When computing~~ Local tax rates, must be computed by the county auditor ~~shall use~~ based upon the valuation as of January 2 as reported by the assessor for the assessment ~~made on January 1 of the~~ year in which the disaster or emergency occurred, and as returned by the local, county, and state boards of review and equalization and the commissioner of revenue.

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

Sec. 31. Minnesota Statutes 2006, section 273.124, subdivision 13, is amended to read:

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

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

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

If a property owner occupies a homestead, the property owner's spouse may not claim another property as a homestead unless the property owner and the property owner's spouse file with the assessor an affidavit or other proof required by the assessor stating that the property qualifies as a homestead under subdivision 1, paragraph (e).

Owners or spouses occupying residences owned by their spouses and previously occupied with the other spouse, either of whom fail to include the other spouse's name and Social Security number on the homestead application or provide the affidavits or other proof requested, will be deemed to have elected to receive only partial homestead treatment of their residence. The remainder of the residence will be classified as nonhomestead residential. When an owner or spouse's name and Social Security number appear on homestead applications for two separate residences and only one application is signed, the owner or spouse will be deemed to have elected to homestead the residence for which the application was signed.

The Social Security numbers or affidavits or other proofs of the property owners and spouses are private data on individuals as defined by section 13.02, subdivision 12, but, notwithstanding that section, the private data may be disclosed to the commissioner of revenue, or, for purposes of proceeding under the Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.

(d) If residential real estate is occupied and used for purposes of a homestead by a relative of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in order for the property to receive homestead status, a homestead application must be filed with the assessor. The Social Security number of each relative and spouse of a relative occupying the property ~~and the Social Security number of each owner who is related to an occupant of the~~



~~property~~ shall be required on the homestead application filed under this subdivision. If a different relative of the owner subsequently occupies the property, the owner of the property must notify the assessor within 30 days of the change in occupancy. The Social Security number of a relative or relative's spouse occupying the property is private data on individuals as defined by section 13.02, subdivision 12, but may be disclosed to the commissioner of revenue, or, for the purposes of proceeding under the Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.

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

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

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

(h) If the commissioner finds that a property owner may be claiming a fraudulent homestead, the commissioner shall notify the appropriate counties. Within 90 days of the notification, the county assessor shall investigate to determine if the homestead classification was properly claimed. If the property owner does not qualify, the county assessor shall notify the county auditor who will determine the amount of homestead benefits that had been improperly allowed. For the purpose of this section, "homestead benefits" means the tax reduction resulting from the classification as a homestead under section 273.13, the taconite homestead credit under section 273.135, the residential homestead and agricultural homestead credits under section 273.1384, and the supplemental homestead credit under section 273.1391.

The county auditor shall send a notice to the person who owned the affected property at the time the homestead application related to the improper homestead was filed, demanding reimbursement of the homestead benefits plus a penalty equal to 100 percent of the homestead benefits. The person notified may appeal the county's determination by serving copies of a petition for review with county officials as provided in section 278.01 and filing proof of service as provided in section 278.01 with the Minnesota Tax Court within 60 days of the date of the notice from the county. Procedurally, the appeal is governed by the provisions in chapter 271 which apply to the appeal of a property tax assessment or levy, but without requiring any prepayment of the amount in controversy. If the amount of homestead benefits and penalty is not paid within 60 days, and if no appeal has been filed, the county auditor shall certify the amount of taxes and penalty to the county treasurer. The county treasurer will add interest to the unpaid homestead benefits and penalty amounts at the rate provided in section 279.03 for real property taxes becoming delinquent in the calendar year during which the amount remains unpaid. Interest may be assessed for the period beginning 60 days after demand for payment was made.

If the person notified is the current owner of the property, the treasurer may add the total amount of homestead benefits, penalty, interest, and costs to the ad valorem taxes otherwise payable on the property by including the amounts on the property tax statements under section 276.04, subdivision 3. The amounts added under this paragraph to the ad valorem taxes shall include interest accrued through December 31 of the year preceding the taxes payable year for which the amounts are first added. These amounts, when added to the property tax statement, become subject to all the laws for the enforcement of real or personal property taxes for that year, and for any subsequent year.

If the person notified is not the current owner of the property, the treasurer may collect the amounts due under the Revenue Recapture Act in chapter 270A, or use any of the powers granted in sections 277.20 and 277.21 without exclusion, to enforce payment of the homestead benefits, penalty, interest, and costs, as if those amounts were delinquent tax obligations of the person who owned the property at the time the application related to the improperly allowed homestead was filed. The treasurer may relieve a prior owner of personal liability for the homestead benefits, penalty, interest, and costs, and instead extend those amounts on the tax lists against the property as provided in this paragraph to the extent that the current owner agrees in writing. On all demands, billings, property tax statements, and related correspondence, the county must list and state separately the amounts of homestead benefits, penalty, interest and costs being demanded, billed or assessed.

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

(j) If a property owner has applied for more than one homestead and the county assessors cannot determine which property should be classified as homestead, the county assessors will refer the information to the commissioner. The commissioner shall make the determination and notify the counties within 60 days.

(k) In addition to lists of homestead properties, the commissioner may ask the counties to furnish lists of all properties and the record owners. The Social Security numbers and federal identification numbers that are maintained by a county or city assessor for property tax administration purposes, and that may appear on the lists retain their classification as private or nonpublic data; but may be viewed, accessed, and used by the county auditor or treasurer of the same county for the limited purpose of assisting the commissioner in the preparation of microdata samples under section 270C.12.

(l) On or before April 30 each year beginning in 2007, each county must provide the commissioner with the following data for each parcel of homestead property by electronic means as defined in section 289A.02, subdivision 8:

- (i) the property identification number assigned to the parcel for purposes of taxes payable in the current year;
- (ii) the name and Social Security number of each occupant of homestead property who is the property owner and, property owner's spouse, as shown on the tax rolls for the current and the prior assessment year qualifying relative of a property owner, or spouse of a qualifying relative;
- (iii) the classification of the property under section 273.13 for taxes payable in the current year and in the prior year;
- (iv) an indication of whether the property was classified as a homestead for taxes payable in the current year ~~or for taxes payable in the prior year~~ because of occupancy by a relative of the owner or by a spouse of a relative;

(v) the property taxes payable as defined in section 290A.03, subdivision 13, for the current year and the prior year;

(vi) the market value of improvements to the property first assessed for tax purposes for taxes payable in the current year;

(vii) the assessor's estimated market value assigned to the property for taxes payable in the current year and the prior year;

(viii) the taxable market value assigned to the property for taxes payable in the current year and the prior year;

(ix) whether there are delinquent property taxes owing on the homestead;

(x) the unique taxing district in which the property is located; and

(xi) such other information as the commissioner decides is necessary.

The commissioner shall use the information provided on the lists as appropriate under the law, including for the detection of improper claims by owners, or relatives of owners, under chapter 290A.

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

Sec. 32. Minnesota Statutes 2006, 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 or surviving spouse of the grantor, or the ~~son~~ child or ~~daughter~~ grandchild 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, 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 the day following final enactment.

Sec. 33. Minnesota Statutes 2006, section 273.1398, subdivision 4, is amended to read:

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

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

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

**EFFECTIVE DATE.** This section is effective retroactively for taxes payable in 2001 and thereafter.

Sec. 34. Minnesota Statutes 2006, section 273.33, subdivision 2, is amended to read:

Subd. 2. **Listing and assessment by commissioner.** The personal property, consisting of the pipeline system of mains, pipes, and equipment attached thereto, of pipeline companies and others engaged in the operations or business of transporting natural gas, gasoline, crude oil, or other petroleum products by pipelines, shall be listed with and assessed by the commissioner of revenue and the values provided to the city or county assessor by order. This subdivision shall not apply to the assessment of the products transported through the pipelines nor to the lines of local commercial gas companies engaged primarily in the business of distributing gas to consumers at retail nor to pipelines used by the owner thereof to supply natural gas or other petroleum products exclusively for such owner's own consumption and not for resale to others. If more than 85 percent of the natural gas or other petroleum products actually transported over the pipeline is used for the owner's own consumption and not for resale to others, then this subdivision shall not apply; provided, however, that in that event, the pipeline shall be assessed in proportion to the percentage of gas actually transported over such pipeline that is not used for the owner's own consumption. On or before June 30, the commissioner shall certify to the auditor of each county, the amount of such personal property assessment against each company in each district in which such property is located.

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

Sec. 35. Minnesota Statutes 2006, section 273.37, subdivision 2, is amended to read:

Subd. 2. **Listing and assessment by commissioner.** Transmission lines of less than 69 kv, transmission lines of 69 kv and above located in an unorganized township, and distribution lines, and equipment attached thereto, having a fixed situs outside the corporate limits of cities except distribution lines taxed as provided in sections 273.40 and 273.41, shall be listed with and assessed by the commissioner of revenue in the county where situated and the values provided to the city or county assessor by order. The commissioner shall assess such property at the percentage of market value fixed by law; and, on or before June 30, shall certify to the auditor of each county in which such property is located the amount of the assessment made against each company and person owning such property.

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

Sec. 36. Minnesota Statutes 2006, section 273.371, subdivision 1, is amended to read:

Subdivision 1. **Report required.** Every electric light, power, gas, water, express, stage, and transportation company and pipeline doing business in Minnesota shall annually file with the commissioner on or before March 31 a report under oath setting forth the information prescribed by the commissioner to enable the commissioner to make valuations, recommended valuations, and equalization required under sections 273.33, 273.35, 273.36, ~~and 273.37,~~ and 273.3711. If all the required information is not available on March 31, the company or pipeline shall file the information that is available on or before March 31, and the balance of the information as soon as it becomes available.

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

Sec. 37. **[273.3711] RECOMMENDED AND ORDERED VALUES.**

For purposes of sections 273.33, 273.35, 273.36, 273.37, 273.371, and 273.372, all values not required to be listed and assessed by the commissioner of revenue are recommended values.

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

Sec. 38. Minnesota Statutes 2006, 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 if the owner or other person having control over the property has refused the assessor access to inspect the property and the interior of any buildings or structures as provided in section 273.20. A board member shall not participate in any actions of the board which result in market value adjustments or classification

changes to property owned by the board member, the spouse, parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece of a board member, or property in which a board member has a financial interest. The relationship may be by blood or marriage.

(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.

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

Sec. 39. Minnesota Statutes 2006, section 274.13, subdivision 1, is amended to read:

Subdivision 1. **Members; meetings; rules for equalizing assessments.** The county commissioners, or a majority of them, with the county auditor, or, if the auditor cannot be present, the deputy county auditor, or, if there is no deputy, the court administrator of the district court, shall form a board for the equalization of the assessment of the property of the county, including the property of all cities whose charters provide for a board of equalization. This board shall be referred to as the county board of appeal and equalization. The board shall meet annually, on the date specified in section 274.14, at the office of the auditor. Each member shall take an oath to fairly and impartially perform duties as a member. Members shall not participate in any actions of the board which result in market value adjustments or classification changes to property owned by the board member, the spouse, parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece of a board member, or property in which a board member has a financial interest. The relationship may be by blood or marriage. The board shall examine and compare the returns of the assessment of property of the towns or districts, and equalize them so that each tract or lot of real property and each article or class of personal property is entered on the assessment list at its market value, subject to the following rules:

(1) The board shall raise the valuation of each tract or lot of real property which in its opinion is returned below its market value to the sum believed to be its market value. The board must first give notice of intention to raise the valuation to the person in whose name it is assessed, if the person is a resident of the county. The notice must fix a time and place for a hearing.

(2) The board shall reduce the valuation of each tract or lot which in its opinion is returned above its market value to the sum believed to be its market value.

(3) The board shall raise the valuation of each class of personal property which in its opinion is returned below its market value to the sum believed to be its market value. It shall raise the aggregate value of the personal property of individuals, firms, or corporations, when it believes that the aggregate valuation, as returned, is less than the market value of the taxable personal property possessed by the individuals, firms, or corporations, to the sum it believes to be the market value. The board must first give notice to the persons of intention to do so. The notice must set a time and place for a hearing.

(4) The board shall reduce the valuation of each class of personal property that is returned above its market value to the sum it believes to be its market value. Upon complaint of a party aggrieved, the board shall reduce the aggregate valuation of the individual's personal property, or of any class of personal property for which the individual is assessed, which in its opinion has been assessed at too large a sum, to the sum it believes was the market value of the individual's personal property of that class.

(5) The board must not reduce the aggregate value of all the property of its county, as submitted to the county board of equalization, with the additions made by the auditor under this chapter, by more than one percent of its whole valuation. The board may raise the aggregate valuation of real property, and of each class of personal property, of the county, or of any town or district of the county, when it believes it is below the market value of the property, or class of property, to the aggregate amount it believes to be its market value.

(6) The board shall change the classification of any property which in its opinion is not properly classified.

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

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

**Sec. 40. [274.135] COUNTY BOARDS; APPEALS AND EQUALIZATION COURSE AND MEETING REQUIREMENTS.**

**Subdivision 1. Handbook for county boards.** By no later than January 1, 2009, the commissioner of revenue must develop a handbook detailing procedures, responsibilities, and requirements for county boards of appeal and equalization. The handbook must include, but need not be limited to, the role of the county board in the assessment process, the legal and policy reasons for fair and impartial appeal and equalization hearings, county board meeting procedures that foster fair and impartial assessment reviews and other best practices recommendations, quorum requirements for county boards, and explanations of alternate methods of appeal.

**Subd. 2. Appeals and equalization course.** Beginning in 2009, and each year thereafter, there must be at least one member at each meeting of a county 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 Association of Assessment Officers. The course content must include, but need not be limited to, a review of the handbook developed by the commissioner under subdivision 1.

**Subd. 3. Proof of compliance; transfer of duties.** (a) Any county that conducts county boards of appeal and equalization meetings must provide proof to the commissioner by December 1, 2009, and each year thereafter, that it is in compliance with the requirements of subdivision 2. Beginning in 2009, 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 current year. A county that does not comply with these requirements is deemed to have transferred its board of appeal and equalization powers to the special board of equalization appointed pursuant to section 274.13, subdivision 2, beginning with the following year's assessment and continuing unless the powers are reinstated under paragraph (c). A county that does not comply with the requirements of subdivision 2 and has not appointed a special board of equalization shall appoint a special board of equalization before the following year's assessment.

(b) The county shall notify the taxpayers when the board of appeal and equalization for a county has been transferred to the special board of equalization under this subdivision and, prior to the meeting time of the special 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 must take place in April and May.

(c) A county board whose powers are transferred to the special board of equalization under this subdivision may be reinstated by resolution of the county board and upon proof of compliance with the requirements of subdivision 2. The resolution and proofs must be provided to the commissioner 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. 41. Minnesota Statutes 2006, section 275.065, subdivision 3, is amended to read:

**Subd. 3. Notice of proposed property taxes.** (a) The county auditor shall prepare and the county treasurer shall deliver after November 10 and on or before November 24 each year, by first class mail to each taxpayer at the address listed on the county's current year's assessment roll, a notice of proposed property taxes. Upon written request by the taxpayer, the treasurer may send the notice in electronic form or by electronic mail instead of on paper or by ordinary mail.

(b) The commissioner of revenue shall prescribe the form of the notice.

(c) The notice must inform taxpayers that it contains the amount of property taxes each taxing authority proposes to collect for taxes payable the following year. In the case of a town, or in the case of the state general tax, the final tax amount will be its proposed tax. 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) the items listed below, shown separately by county, city or town, and state general tax, net of the residential and agricultural homestead credit under section 273.1384, voter approved school levy, other local school levy, and the sum of the special taxing districts, and as a total of all taxing authorities:

- (i) the actual tax for taxes payable in the current year; 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 Ramsey County, any amount levied under section 134.07 may be listed separately from the remaining amount of the county'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.

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

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

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

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

(g) If the notice the taxpayer receives under this section lists the property as 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) In the case of class 4 residential property used as a residence for lease or rental periods of 30 days or more, the taxpayer must either:

- (1) mail or deliver a copy of the notice of proposed property taxes to each tenant, renter, or lessee; or
- (2) post a copy of the notice in a conspicuous place on the premises of the property.

The notice must be mailed or posted by the taxpayer by November 27 or within three days of receipt of the notice, whichever is later. A taxpayer may notify the county treasurer of the address of the taxpayer, agent, caretaker, or manager of the premises to which the notice must be mailed in order to fulfill the requirements of this paragraph.

(i) For purposes of this subdivision, subdivisions 5a and 6, "metropolitan special taxing districts" means the following taxing districts in the seven-county metropolitan area that levy a property tax for any of the specified purposes listed below:

- (1) Metropolitan Council under section 473.132, 473.167, 473.249, 473.325, 473.446, 473.521, 473.547, or 473.834;
- (2) Metropolitan Airports Commission under section 473.667, 473.671, or 473.672; and
- (3) Metropolitan Mosquito Control Commission under section 473.711.

For purposes of this section, any levies made by the regional rail authorities in the county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be included with the appropriate county's levy and shall be discussed at that county's public hearing.

(j) The governing body of a county, city, or school district may, with the consent of the county board, 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.

**EFFECTIVE DATE.** This section is effective for notices required in 2007 and thereafter, for taxes payable in 2008 and thereafter.

Sec. 42. Minnesota Statutes 2006, section 275.065, subdivision 5a, is amended to read:

Subd. 5a. **Public advertisement.** (a) A city that has a population of more than 2,500, county, a metropolitan special taxing district as defined in subdivision 3, paragraph (i), a regional library district established under section 134.201, or school district shall advertise in a newspaper a notice of its intent to adopt a budget and property tax levy or, in the case of a school district, to review its current budget and proposed property taxes payable in the following year, at a public hearing, if a public hearing is required under subdivision 6. The notice must be published not less than two business days nor more than six business days before the hearing.

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

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

In addition to other requirements, a county and a city having a population of more than 2,500 must show in the public advertisement required under this subdivision the current local tax rate, the proposed local tax rate if no property tax levy increase is adopted, and the proposed rate if the proposed levy is adopted. For purposes of this subdivision, "local tax rate" means the city's or county's net tax capacity levy divided by the city's or county's taxable net tax capacity.

(b) Subject to the provisions of paragraph (g), the advertisement for school districts, metropolitan special taxing districts, and regional library districts must be in the following form, except that the notice for a school district may include references to the current budget in regard to proposed property taxes.

"NOTICE OF  
PROPOSED PROPERTY TAXES

(School District/Metropolitan  
Special Taxing District/Regional  
Library District) of .....

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

NOTICE OF PUBLIC HEARING:

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

(c) Subject to the provisions of paragraph (g), the advertisement for cities and counties must be in the following form.

"NOTICE OF PROPOSED  
TOTAL BUDGET AND PROPERTY TAXES

The (city/county) governing body or board of commissioners will hold a public hearing to discuss the budget and to vote on the amount of property taxes to collect for services the (city/county) will provide in (year).

SPENDING: The total budget amounts below compare (city's/county's) (year) total actual budget with the amount the (city/county) proposes to spend in (year).

(Year) Total Actual Budget	Proposed (Year) Budget	Change from (Year)-(Year)
\$.....	\$.....	.....%

TAXES: The property tax amounts below compare that portion of the current budget levied in property taxes in (city/county) for (year) with the property taxes the (city/county) proposes to collect in (year).

(Year) Property Taxes	Proposed (Year) Property Taxes	Change from (Year)-(Year)
\$.....	\$.....	.....%

LOCAL TAX RATE COMPARISON: The current local tax rate, the local tax rate if no tax levy increase is adopted, and the proposed local tax rate if the proposed levy is adopted.

(Year) Tax Rate	(Year) Tax Rate if NO Levy Increase	(Year) Proposed Tax Rate
.....	.....	.....

ATTEND THE PUBLIC HEARING

All (city/county) residents are invited to attend the public hearing of the (city/county) to express your opinions on the budget and the proposed amount of (year) property taxes. The hearing will be held on:

(Month/Day/Year/Time)  
(Location/Address)

If the discussion of the budget cannot be completed, a time and place for continuing the discussion will be announced at the hearing. You are also invited to send your written comments to:

(City/County)  
(Location/Address)"

(d) For purposes of this subdivision, the budget amounts listed on the advertisement mean:

(1) for cities, the 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; and

(2) for counties, the 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:

- (i) Minnesota family investment program under chapters 256J and 256K;
  - (ii) medical assistance under sections 256B.041, subdivision 5, and 256B.19, subdivision 1;
  - (iii) general assistance medical care under section 256D.03, subdivision 6;
  - (iv) general assistance under section 256D.03, subdivision 2;
  - (v) emergency assistance under section 256J.48;
  - (vi) Minnesota supplemental aid under section 256D.36, subdivision 1;
  - (vii) preadmission screening under section 256B.0911, and alternative care grants under section 256B.0913;
  - (viii) general assistance medical care claims processing, medical transportation and related costs under section 256D.03, subdivision 4;
  - (ix) medical transportation and related costs under section 256B.0625, subdivisions 17 to 18a;
  - (x) group residential housing under section 256I.05, subdivision 8, transferred from programs in clauses (iv) and (vi); or
  - (xi) any successor programs to those listed in clauses (i) to (x).
- (e) A city with a population of over 500 but not more than 2,500 that is required to hold a public hearing under subdivision 6 must advertise by posted notice as defined in section 645.12, subdivision 1. The advertisement must be posted at the time provided in paragraph (a). It must be in the form required in paragraph (b).
- (f) For purposes of this subdivision, the population of a city is the most recent population as determined by the state demographer under section 4A.02.
- (g) The commissioner of revenue, ~~subject to the approval of the chairs of the house and senate tax committees,~~ shall annually prescribe the specific form and format of the advertisements required under this subdivision, including such details as font size and style, and spacing for the required items. The commissioner may prescribe alternate and additional language for the advertisement for a taxing authority or for groups of taxing authorities. At least two weeks before November 29 each year, the commissioner shall provide a copy of the prescribed advertisements to the chairs of the committees of the house of representatives and the senate with jurisdiction over taxes.

**EFFECTIVE DATE.** This section is effective for advertisements in 2007 and thereafter, for proposed taxes payable in 2008 and thereafter.

Sec. 43. Minnesota Statutes 2006, section 275.067, is amended to read:

**275.067 SPECIAL TAXING DISTRICTS; ORGANIZATION DATE; CERTIFICATION OF LEVY OR SPECIAL ASSESSMENTS.**

Special taxing districts as defined in section 275.066 organized on or before July 1 in ~~a the current~~ calendar year ~~may~~, and special taxing districts organized in a prior year that have not previously certified a levy to the county auditor, are allowed to certify a levy to the county auditor in ~~that same~~ the current year for property taxes or special assessments to be payable in the following calendar year to the extent that the special taxing district is authorized by statute or special act to levy taxes or special assessments, but only if the county auditor receives written notice from the district on or before July 1 of the current year that the district may be certifying a levy in the current year, and the notice includes a complete list or other description of the tax parcels in the district and a map showing the boundaries of the district. Special taxing districts organized after July 1 in a calendar year may not certify a levy of property taxes or special assessments to the county auditor under the powers granted to them by statute or special act and subject to the requirements of this section until the following calendar year. All special taxing districts must notify the county auditor by July 1 in order for its boundaries for the levy to be certified that year to be different than its boundaries for levies certified in prior years, and the notice must include a complete list or other description of the tax parcels within the new boundaries and a map showing the new boundaries of the district.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2008 and thereafter.

Sec. 44. Minnesota Statutes 2006, section 276.04, is amended by adding a subdivision to read:

Subd. 5. **Electronic tax statements.** Upon written request by the owner of real property located in the county, or by the owner's agent, a county may send tax statements by electronic means instead of by mailing. For the purposes of the payment deadlines specified in section 279.01, the postmark date on the envelope containing these property tax statements is the date the statements were sent by electronic means.

**EFFECTIVE DATE.** This section is effective for tax statements for taxes payable in 2008 and thereafter.

Sec. 45. Minnesota Statutes 2006, section 277.01, subdivision 2, is amended to read:

Subd. 2. **Partial payments.** The county treasurer may accept payments of more or less than the exact amount of a tax installment due. Payments must be applied first to the oldest installment that is due but which has not been fully paid. If the accepted payment is less than the amount due, payments must be the payment is applied first to the penalty accrued for the year the payment is made or the installment being paid. Acceptance of partial payment of tax does not constitute a waiver of the minimum payment required as a condition for filing an appeal under section 278.03 or any other law, nor does it affect the order of payment of delinquent taxes under section 280.39.

**EFFECTIVE DATE.** This section is effective for payments made on or after the day following final enactment.

Sec. 46. Minnesota Statutes 2006, section 279.01, subdivision 1, is amended to read:

Subdivision 1. **Due dates; penalties.** Except as provided in subdivision 3 or 4, on May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, a penalty ~~shall accrue~~ accrues and thereafter ~~be is~~ is charged upon all unpaid taxes on real estate on the current lists in the hands of the county treasurer. The penalty ~~shall be~~ is at a rate of two percent on homestead property until May 31 and four percent on June 1. The penalty on nonhomestead property ~~shall be~~ is at a rate of four percent until May 31 and eight percent on June 1. This penalty ~~shall~~ does not accrue until June 1 of each year, or 21 days after the postmark date on the envelope containing the property tax statements, whichever is later, on commercial use real property used for seasonal residential recreational purposes and classified as class 1c or 4c, and on other commercial use real property

classified as class 3a, provided that over 60 percent of the gross income earned by the enterprise on the class 3a property is earned during the months of May, June, July, and August. ~~Any property owner of such class 3a property who pays~~ In order for the first half of the tax due on ~~the~~ class 3a property to be paid after May 15 and before June 1, or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, ~~shall~~ without penalty, the owner of the property must attach an affidavit to the payment attesting to compliance with the income provision of this subdivision. Thereafter, for both homestead and nonhomestead property, on the first day of each month beginning July 1, up to and including October 1 following, an additional penalty of one percent for each month ~~shall accrue~~ accrues and ~~be is~~ charged on all such unpaid taxes provided that if the due date was extended beyond May 15 as the result of any delay in mailing property tax statements no additional penalty shall accrue if the tax is paid by the extended due date. If the tax is not paid by the extended due date, then all penalties that would have accrued if the due date had been May 15 shall be charged. When the taxes against any tract or lot exceed \$50, one-half thereof may be paid prior to May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later; and, if so paid, no penalty ~~shall attach~~ attaches; the remaining one-half ~~shall~~ may be paid at any time prior to October 16 following, without penalty; but, if not so paid, then a penalty of two percent ~~shall accrue~~ accrues thereon for homestead property and a penalty of four percent on nonhomestead property. Thereafter, for homestead property, on the first day of November an additional penalty of four percent ~~shall accrue~~ accrues and on the first day of December following, an additional penalty of two percent ~~shall accrue~~ accrues and ~~be is~~ charged on all such unpaid taxes. Thereafter, for nonhomestead property, on the first day of November and December following, an additional penalty of four percent for each month ~~shall accrue~~ accrues and ~~be is~~ charged on all such unpaid taxes. If one-half of such taxes ~~shall are not be~~ paid prior to May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, the same may be paid at any time prior to October 16, with accrued penalties to the date of payment added, and thereupon no penalty ~~shall attach~~ attaches to the remaining one-half until October 16 following.

This section applies to payment of personal property taxes assessed against improvements to leased property, except as provided by section 277.01, subdivision 3.

A county may provide by resolution that in the case of a property owner that has multiple tracts or parcels with aggregate taxes exceeding \$50, payments may be made in installments as provided in this subdivision.

The county treasurer may accept payments of more or less than the exact amount of a tax installment due. Payments must be applied first to the oldest installment that is due but which has not been fully paid. If the accepted payment is less than the amount due, payments must be applied first to the penalty accrued for the year ~~the payment is made or the installment being paid~~. Acceptance of partial payment of tax does not constitute a waiver of the minimum payment required as a condition for filing an appeal under section 278.03 or any other law, nor does it affect the order of payment of delinquent taxes under section 280.39.

**EFFECTIVE DATE.** This section is effective for payments made on or after the day following final enactment.

Sec. 47. Minnesota Statutes 2006, section 290C.02, subdivision 3, is amended to read:

Subd. 3. **Claimant.** (a) "Claimant" means:

(1) a person, as that term is defined in section 290.01, subdivision 2, who owns forest land in Minnesota and files an application authorized by the Sustainable Forest Incentive Act. ~~Claimant includes:~~

(2) a purchaser or grantee if property enrolled in the program was sold or transferred after the original application was filed and prior to the annual incentive payment being made; or

(3) an owner of land previously covered by an auxiliary forest contract that automatically qualifies for inclusion in the Sustainable Forest Incentive Act program pursuant to section 88.49, subdivision 9a, or 88.491, subdivision 2.

The purchaser or grantee must notify the commissioner in writing of the sale or transfer of the property. Owners of land that qualifies for inclusion pursuant to section 88.49, subdivision 9a, or 88.491, subdivision 2, must notify the commissioner in writing of the expiration of the auxiliary forest contract or land trade with a governmental unit and submit an application to the commissioner by August 15 in order to be eligible to receive a payment by October 1 of that same year. For purposes of section 290C.11, claimant also includes any person bound by the covenant required in section 290C.04.

(b) No more than one claimant is entitled to a payment under this chapter with respect to any tract, parcel, or piece of land enrolled under this chapter that has been assigned the same parcel identification number. When enrolled forest land is owned by two or more persons, the owners must determine between them which person is eligible to claim the payments provided under sections 290C.01 to 290C.11. In the case of property sold or transferred, the former owner and the purchaser or grantee must determine between them which person is eligible to claim the payments provided under sections 290C.01 to 290C.11. The owners, transferees, or grantees must notify the commissioner in writing which person is eligible to claim the payments.

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

Sec. 48. Minnesota Statutes 2006, section 290C.04, is amended to read:

**290C.04 APPLICATIONS.**

(a) A landowner may apply to enroll forest land for the sustainable forest incentive program under this chapter. The claimant must complete, sign, and submit an application to the commissioner by September 30 in order for the land to become eligible beginning in the next year. The application shall be on a form prescribed by the commissioner and must include the information the commissioner deems necessary. At a minimum, the application must show the following information for the land and the claimant: (i) the claimant's Social Security number or state or federal business tax registration number and date of birth, (ii) the claimant's address, (iii) the claimant's signature, (iv) the county's parcel identification numbers for the tax parcels that completely contain the claimant's forest land that is sought to be enrolled, (v) the number of acres eligible for enrollment in the program, (vi) the approved plan writer's signature and identification number, and (vii) proof, in a form specified by the commissioner, that the claimant has executed and acknowledged in the manner required by law for a deed, and recorded, a covenant that the land is not and shall not be developed in a manner inconsistent with the requirements and conditions of this chapter. The covenant shall state in writing that the covenant is binding on the claimant and the claimant's successor or assignee, and that it runs with the land for a period of not less than eight years. The commissioner shall specify the form of the covenant and provide copies upon request. The covenant must include a legal description that encompasses all the forest land that the claimant wishes to enroll under this section or the certificate of title number for that land if it is registered land.

(b) In all cases, the commissioner shall notify the claimant within 90 days after receipt of a completed application that either the land has or has not been approved for enrollment. A claimant whose application is denied may appeal the denial as provided in section ~~290C.11, paragraph (a)~~ 290C.13.

(c) Within 90 days after the denial of an application, or within 90 days after the final resolution of any appeal related to the denial, 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.



(d) The Social Security numbers collected from individuals under this section are private data as provided in section 13.355. The federal business tax registration number and date of birth data collected under this section are also private data on individuals or nonpublic data, as defined in section 13.02, subdivisions 9 and 12, but may be shared with county assessors for purposes of tax administration and with county treasurers for purposes of the revenue recapture under chapter 270A.

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

Sec. 49. Minnesota Statutes 2006, 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 original claimant has received an approved application, the commissioner shall send each claimant enrolled under the sustainable forest incentive program a certification form. For purposes of this section, the original claimant is the person that filed the first application under section 290C.04 to enroll the land in the program. 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. If the claimant does not return an annual certification form by the due date, the provisions in section 290C.11 apply.

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

Sec. 50. Minnesota Statutes 2006, section 290C.11, is amended to read:

**290C.11 PENALTIES FOR REMOVAL.**

(a) If the commissioner determines that land enrolled in the sustainable forest incentive program is in violation of the conditions for enrollment as specified in section 290C.03, the commissioner shall notify the claimant of the intent to remove all enrolled land from the sustainable forest incentive program. The claimant has 60 days to appeal this determination under the provisions of section 290C.13. ~~The appeal must be made in writing to the commissioner, who shall, within 60 days, notify the claimant as to the outcome of the appeal. Within 60 days after the commissioner denies an appeal, or within 120 days after the commissioner received a written appeal if the commissioner has not made a determination in that time, the owner may appeal to Tax Court under chapter 271 as if the appeal is from an order of the commissioner.~~

(b) If the commissioner determines the land is to be removed from the sustainable forest incentive program, the claimant is liable for payment to the commissioner in the amount equal to the payments received under this chapter for the previous four-year period, plus interest. The claimant has 90 days to satisfy the payment for removal of land from the sustainable forest incentive program under this section. If the penalty is not paid within the 90-day period under this paragraph, the commissioner shall certify the amount to the county auditor for collection as a part of the general ad valorem real property taxes on the land in the following taxes payable year.

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

Sec. 51. **[290C.13] APPEALS.**

Subdivision 1. **Claimant right to reconsideration.** A claimant may obtain reconsideration by the commissioner of a determination removing enrolled land from the sustainable forest incentive program, a determination denying an application to enroll land in the program, or a denial of part or all of an incentive payment by filing an administrative appeal under subdivision 4. A claimant cannot obtain reconsideration under this section if the action taken by the commissioner is the outcome of an administrative appeal.

Subd. 2. **Appeal by claimant.** A claimant who wishes to seek administrative review must follow the procedures in subdivision 4.

Subd. 3. **Notice date.** For purposes of this section, the term "notice date" means the date of the determination removing enrolled land or the date of the notice denying an application to enroll land or denying part or all of an incentive payment.

Subd. 4. **Time and content for administrative appeal.** Within 60 days after the notice date, the claimant must file a written appeal with the commissioner. The appeal need not be in any particular form but must contain the following information:

(1) name and address of the claimant;

(2) if a corporation, the state of incorporation of the claimant, and the principal place of business of the corporation;

(3) the Minnesota or federal business identification number or Social Security number of the claimant;

(4) the date;

(5) the periods involved and the amount of payment involved for each year or period;

(6) the findings in the notice that the claimant disputes;

(7) a summary statement that the claimant relies on for each exception; and

(8) the claimant's signature or signature of the claimant's duly authorized agent.

Subd. 5. **Extensions.** When requested in writing and within the time allowed for filing an administrative appeal, the commissioner may extend the time for filing an appeal for a period not more than 30 days from the expiration of the 60 days from the notice date.

Subd. 6. **Determination of appeal.** On the basis of applicable law and available information, the commissioner shall determine the validity, if any, in whole or in part, of the appeal and notify the claimant of the decision. This notice must be in writing and contain the basis for the determination.

Subd. 7. **Agreement determining issues under appeal.** When it appears to be in the best interests of the state, the commissioner may settle the amount of any incentive payments, payments owed by the claimant under section 290C.11, paragraph (b), penalties, or interest that the commissioner has under consideration by virtue of an appeal filed under this section. An agreement must be in writing and signed by the commissioner and the claimant, or the claimant's representative authorized by the claimant to enter into an agreement. The agreement is final and conclusive and, except upon a showing of fraud or malfeasance, or misrepresentation of a material fact, the case must not be reopened as to the matters agreed upon.

Subd. 8. **Appeal to Tax Court.** Within 60 days after the commissioner denies an appeal, or within 120 days after the commissioner received a written appeal if the commissioner has not made a determination in that time, the claimant may appeal to Tax Court under chapter 271 as if the appeal is from an order of the commissioner.

Subd. 9. **Exemption from Administrative Procedure Act.** This section is not subject to chapter 14.

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

Sec. 52. **REPEALER.**

(a) Minnesota Statutes 2006, section 270.073, is repealed.

(b) Minnesota Statutes 2006, sections 270.41, subdivision 4; 270.43; 270.51; 270.52; and 270.53, are repealed.

**EFFECTIVE DATE.** Paragraph (a) of this section is effective beginning January 2, 2007, for taxes payable in 2008 and thereafter. Paragraph (b) of this section is effective the day following final enactment.

ARTICLE 13

DEPARTMENT SPECIAL TAXES

Section 1. Minnesota Statutes 2006, section 62I.06, subdivision 6, is amended to read:

Subd. 6. ~~**Deficits**~~ **Deficit assessments.** The association shall certify to the commissioner the estimated amount of any deficit remaining after the stabilization reserve fund has been exhausted and payment of the maximum final premium for all policyholders of the association. Within 60 days after the certification, the commissioner shall authorize the association to recover the members' respective shares of the deficit by assessing all members an amount sufficient to fully fund the obligations of the association. The assessment of each member shall be determined in the manner provided in section 62I.07. An assessment made pursuant to this section shall be deductible by the member from ~~past or future~~ premium taxes due the state as provided in section 297I.20, subdivision 2.

**EFFECTIVE DATE.** This section is effective for tax returns due on or after January 1, 2008.

Sec. 2. Minnesota Statutes 2006, section 71A.04, subdivision 1, is amended to read:

Subdivision 1. **Premium tax.** The attorney-in-fact, ~~in lieu of all taxes, state, county, and municipal,~~ shall file with the commissioner of revenue all returns and pay to the commissioner of revenue all amounts required under chapter 297I.

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

Sec. 3. Minnesota Statutes 2006, section 287.22, is amended to read:

**287.22 EXEMPTIONS.**

The tax imposed by section 287.21 does not apply to:

(1) An executory contract for the sale of real property under which the purchaser is entitled to or does take possession of the real property, or any assignment or cancellation of the contract;

(2) A mortgage or an amendment, assignment, extension, partial release, or satisfaction of a mortgage;

(3) A will;

(4) A plat;

(5) A lease, amendment of lease, assignment of lease, or memorandum of lease;

(6) A deed, instrument, or writing in which the United States or any agency or instrumentality thereof is the grantor, assignor, transferor, conveyor, grantee, or assignee;

(7) A deed for a cemetery lot or lots;

(8) A deed of distribution by a personal representative;

(9) A deed to or from a co-owner partitioning their undivided interest in the same piece of real property;

(10) A deed or other instrument of conveyance issued pursuant to a permanent school fund land exchange under section 92.121 and related laws;

(11) A referee's or sheriff's certificate of sale in a mortgage or lien foreclosure sale;

(12) A referee's, sheriff's, or certificate holder's certificate of redemption from a mortgage or lien foreclosure sale issued ~~to the redeeming mortgagor or lienholder~~ pursuant to section 580.23 or other statute applicable to redemption by an owner of real property;

(13) A deed, instrument, or writing which grants, creates, modifies, or terminates an easement; and

(14) A decree of marriage dissolution, as defined in section 287.01, subdivision 4, or a deed or other instrument between the parties to the dissolution made pursuant to the terms of the decree.

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

Sec. 4. Minnesota Statutes 2006, section 287.2205, is amended to read:

**287.2205 TAX-FORFEITED LAND.**

Before a state deed for tax-forfeited land may be issued, the deed tax must be paid by the purchaser of tax-forfeited land whether the purchase is the result of a public auction or private sale or a repurchase of tax-forfeited land. State agencies and local units of government that acquire tax-forfeited land by purchase or any other means are subject to this section. The deed tax is \$1.65 for a conveyance of tax-forfeited lands to a governmental subdivision for an authorized public use under section 282.01, subdivision 1a, or for redevelopment purposes under section 282.01, subdivision 1b.

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

Sec. 5. Minnesota Statutes 2006, 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.~~

~~(e)~~ (b) A tax imposed under this subdivision does not apply to purchases by an individual for personal consumption.

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

Sec. 6. Minnesota Statutes 2006, section 295.52, subdivision 4a, is amended to read:

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

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

Sec. 7. Minnesota Statutes 2006, section 295.54, subdivision 2, is amended to read:

Subd. 2. **Pharmacy refund.** A pharmacy may claim an annual refund against the total amount of tax, if any, the pharmacy owes during that calendar year under section 295.52, subdivision 2. The refund shall equal the amount paid by the pharmacy to a wholesale drug distributor subject to tax under section 295.52, subdivision 3, for legend drugs delivered by the pharmacy outside of Minnesota, multiplied by the tax percentage specified in section 295.52. If the amount of the refund exceeds the tax liability of the pharmacy under section 295.52, subdivision ~~4b~~ 2, the commissioner shall provide the pharmacy with a refund equal to the excess amount. Each qualifying pharmacy must apply for the refund on the annual return as provided under section 295.55, subdivision 5. The refund must be claimed within one year of the due date of the return. Interest on refunds paid under this subdivision will begin to accrue 60 days after the date a claim for refund is filed. For purposes of this subdivision, the date a claim is filed is the due date of the return or the date of the actual claim for refund, whichever is later.

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

Sec. 8. Minnesota Statutes 2006, section 297F.06, subdivision 4, is amended to read:

Subd. 4. **Tobacco products use tax.** The tobacco products use tax does not apply to the possession, use, or storage of tobacco products ~~that if (1) the tobacco products have an aggregate cost in any calendar month to the consumer of \$100 \$50 or less, and (2) the tobacco products were carried into this state by that consumer.~~

**EFFECTIVE DATE.** This section is effective for the possession, use, or storage of tobacco products on or after July 1, 2007.

Sec. 9. Minnesota Statutes 2006, section 297F.25, is amended by adding a subdivision to read:

Subd. 3a. **Consumer use tax; use tax return; cigarette consumer.** (a) On or before the 18th day of each calendar month, a consumer who, during the preceding calendar month, has acquired title to or possession of cigarettes for use or storage in this state, upon which the sales tax imposed by this section has not been paid, shall file a return with the commissioner showing the quantity of cigarettes so acquired or possessed. The return 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 sales tax liability shown by it.

(b) The tax imposed under paragraph (a) does not apply if (1) the consumer has acquired title to or possession of cigarettes for use or storage in this state in quantities of 200 or fewer in the month, and (2) the cigarettes were carried into this state by that consumer.

**EFFECTIVE DATE.** This section is effective for cigarettes which a consumer has acquired title to or possession of on or after July 1, 2007.

Sec. 10. Minnesota Statutes 2006, section 297I.06, subdivision 1, is amended to read:

Subdivision 1. **Insurance policies surcharge.** (a) Except as otherwise provided in subdivision 2, each licensed insurer engaged in writing policies of homeowner's insurance authorized in section 60A.06, subdivision 1, clause (1)(c), or commercial fire policies or commercial nonliability policies shall collect a surcharge equal to 0.65 percent of the gross premiums and assessments, less return premiums, on direct business received by the company, or by its agents for it, for homeowner's insurance policies, commercial fire policies, and commercial nonliability insurance policies in this state.

(b) The surcharge amount collected under paragraph (a) or subdivision 2, paragraph (b), may not be considered premium for any other purpose. The surcharge amount under paragraph (a) must be separately stated on either a billing or policy declaration or document containing similar information sent to an insured.

(c) Amounts collected by the commissioner under this section must be deposited in the fire safety account established pursuant to subdivision 3.

**EFFECTIVE DATE.** This section is effective July 1, 2007, and applies to policies written or renewed on or after July 1, 2007.

Sec. 11. Minnesota Statutes 2006, section 297I.06, subdivision 2, is amended to read:

Subd. 2. **Exemptions.** (a) This section does not apply to a farmers' mutual fire insurance company or township mutual fire insurance company in Minnesota organized under chapter 67A.

(b) An insurer described in section 297I.05, subdivisions 3 and 4, authorized to transact business in Minnesota shall elect to remit to the Department of Revenue for deposit in the fire safety account either (1) the surcharge amount ~~collected imposed under this section~~ subdivision 1 on all premiums subject to that surcharge, or (2) a surcharge of one-half of one percent on the gross fire premiums and assessments, less return premiums, on all direct business received by the insurer or agents of the insurer in Minnesota, in cash or otherwise, during the year.

(c) The election must be made prior to July 1, 2007, for policies written or renewed between July 1, 2007, and December 31, 2007, and by December 31 of each year for insurance for policies written or renewed in the succeeding calendar year. An insurer who elects to remit the one-half of one percent surcharge on gross fire premiums and assessments must not charge the insured the surcharge imposed under subdivision 1.

~~(e)~~ (d) For purposes of this subdivision, "gross fire premiums and assessments" includes premiums on policies covering fire risks only on automobiles, whether written or under floater form or otherwise.

**EFFECTIVE DATE.** The requirement for certain insurers to make an election before July 1, 2007, is effective the day following final enactment. The rest of this section is effective July 1, 2007, and applies to insurance policies written or renewed on or after that date.

Sec. 12. Minnesota Statutes 2006, section 297I.20, subdivision 2, is amended to read:

Subd. 2. **Joint Underwriting Association offset.** An insurance company may offset against its premium tax liability to this state any amount paid for an assessment made pursuant to section 62I.06, subdivision 6, shall be deductible by the member from past or future premium taxes due the state. The offset against premium tax liability must be claimed beginning with the taxable year that the assessment is paid. To the extent that the allowable offset exceeds the tax liability, the remaining offset must be carried forward to succeeding taxable years until the entire offset has been credited against the insurance company's liability for premium tax under this chapter.

**EFFECTIVE DATE.** This section is effective for tax returns due on or after January 1, 2008.

Sec. 13. Minnesota Statutes 2006, section 297I.40, subdivision 5, is amended to read:

Subd. 5. **Definition of tax.** The term "tax" as used in this section means the tax imposed by section 297I.05, subdivisions 1 to 6, 11, and 12, paragraphs (a), clauses (1) to (5), (b), and ~~(e)~~ (d), ~~without regard to the retaliatory provisions of section 297I.05, subdivision 11, and the~~ less any offset in section 297I.20.

**EFFECTIVE DATE.** This section is effective for tax returns due on or after January 1, 2008.

## ARTICLE 14

### MISCELLANEOUS

Section 1. Minnesota Statutes 2006, section 16A.152, subdivision 1b, is amended to read:

Subd. 1b. **Budget reserve increase.** On July 1, 2003, the commissioner of finance shall transfer \$300,000,000 to the budget reserve account in the general fund. On July 1, 2004, the commissioner of finance shall transfer \$296,000,000 to the budget reserve account in the general fund. On July 1, 2007, the commissioner of finance shall transfer \$30,000,000 to the budget reserve account in the general fund. The amounts necessary for this purpose are appropriated from the general fund.

Sec. 2. Minnesota Statutes 2006, section 16A.152, subdivision 2, is amended to read:

Subd. 2. **Additional revenues; priority.** (a) If on the basis of a forecast of general fund revenues and expenditures, the commissioner of finance determines that there will be a positive unrestricted budgetary general fund balance at the close of the current biennium, the commissioner of finance must allocate money to the following accounts and purposes in priority order:

(1) the cash flow account established in subdivision 1 until that account reaches \$350,000,000;

(2) the budget reserve account established in subdivision 1a until that account reaches ~~\$653,000,000~~ \$683,000,000; and

(3) ~~the amount necessary to increase the aid payment schedule for school district aids and credits payments in section 127A.45 to not more than 90 percent rounded to the nearest tenth of a percent without exceeding the amount available and with any remaining funds deposited in the budget reserve; and the tax volatility reduction account until that account reaches the amount designated for transfer in the current biennium as provided in subdivision 8, paragraph (c).~~

~~(4) the amount necessary to restore all or a portion of the net aid reductions under section 127A.441 and to reduce the property tax revenue recognition shift under section 123B.75, subdivision 5, paragraph (c), and Laws 2003, First Special Session chapter 9, article 5, section 34, as amended by Laws 2003, First Special Session chapter 23, section 20, by the same amount.~~

(b) If on the basis of a forecast of general fund revenues and expenditures, the commissioner of finance determines that there will be a positive unrestricted budgetary general fund balance at the close of the next biennium, the commissioner of finance must allocate money to the tax volatility reduction account until that account reaches the amount designated for transfer in the next biennium as provided in subdivision 8, paragraph (f).

~~(c) The amounts necessary to meet the requirements of this section paragraph (a) are appropriated from the general fund within two weeks after the forecast is released or, in the case of transfers under paragraph (a), clauses (3) and (4), as necessary to meet the appropriations schedules otherwise established in statute. The amount necessary to meet the requirements of paragraph (b) are transferred from the general fund on the first day of the next biennium.~~

~~(d)~~ (d) To the extent that a positive unrestricted budgetary general fund balance is projected, appropriations under this section must be made before section 16A.1522 takes effect.

~~(d) The commissioner of finance shall certify the total dollar amount of the reductions under paragraph (a), clauses (3) and (4), to the commissioner of education. The commissioner of education shall increase the aid payment percentage and reduce the property tax shift percentage by these amounts and apply those reductions to the current fiscal year and thereafter.~~

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

Sec. 3. Minnesota Statutes 2006, section 16A.152, is amended by adding a subdivision to read:

Subd. 8. **Tax volatility reduction account.** (a) A tax volatility reduction account is created in the general fund.

(b) Beginning with the November 2007 economic forecast and for each subsequent economic forecast, the commissioner of finance, in consultation with the commissioner of revenue, shall estimate the revenue gain or loss anticipated for the current biennium and the next biennium, as a result of changes in taxpayer behavior in anticipation of (1) the sunset of favorable federal income tax rates for capital gains income under Public Law 108-27; (2) the extension of the sunset referenced in (1); or (3) any other federal law that changes federal income tax rates for capital gains income.

(c) If the commissioner estimates a revenue gain under paragraph (b) for the current biennium, and if the amount of gain estimated for the current biennium is more than the amount forecast to be in the tax volatility reduction account at the close of the current biennium, then the difference is designated for transfer to the tax volatility reduction account.

(d) If the commissioner estimates a revenue gain under paragraph (b) for the current biennium, and if the amount of gain estimated for the current biennium is less than the amount forecast to be in the tax volatility reduction account at the close of the current biennium, then the difference is transferred from the tax volatility reduction account to the general fund.

(e) If the commissioner estimates a revenue loss under paragraph (b) in the current biennium, then the amount adequate to offset the loss, to the extent it is available, is transferred from the tax volatility reduction account to the general fund.



(f) If the commissioner estimates a revenue gain for the next biennium under paragraph (b), and if the amount of gain estimated for the next biennium is more than the amount forecast to be in the tax volatility reduction account at the close of the next biennium, then the difference is designated for transfer to the tax volatility reduction account on the first day of the next biennium.

(g) If the commissioner estimates a revenue gain for the next biennium under paragraph (b), and if the amount of gain estimated for the next biennium is less than the amount forecast to be in the tax volatility reduction account at the close of the next biennium, then the difference is transferred from the tax volatility reduction account to the general fund on the first day of the next biennium.

(h) If the commissioner estimates a revenue loss under paragraph (a) in the next biennium, then the amount adequate to offset the loss, to the extent it is available, is transferred from the tax volatility reduction account to the general fund on the first day of the next biennium.

(i) For purposes of this subdivision "economic forecast" means the economic forecast prepared according to section 16A.103.

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

Sec. 4. Minnesota Statutes 2006, section 16D.04, subdivision 1, is amended to read:

Subdivision 1. **Duties.** The commissioner shall provide services to the state and ~~its~~ referring agencies to collect debts ~~owed the state~~ referred for collection under this chapter. The commissioner is not a collection agency as defined by section 332.31, subdivision 3, and is not licensed, bonded, or regulated by the commissioner of commerce under sections 332.31 to 332.35 or 332.38 to 332.45. The commissioner is subject to section 332.37, except clause (9), (10), (12), or (19). Debts referred to the commissioner for collection under section 256.9792 may in turn be referred by the commissioner to the enterprise. An audited financial statement may not be required as a condition of debt placement with a private agency if the private agency: (1) has errors and omissions coverage under a professional liability policy in an amount of at least \$1,000,000; or (2) has a fidelity bond to cover actions of its employees, in an amount of at least \$100,000. In cases of debts referred under section 256.9792, the provisions of this chapter and section 256.9792 apply to the extent they are not in conflict. If they are in conflict, the provisions of section 256.9792 control. For purposes of this chapter, the referring agency for such debts remains the Department of Human Services.

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

Sec. 5. Minnesota Statutes 2006, section 16D.04, subdivision 2, is amended to read:

Subd. 2. **Agency participation.** (a) A referring agency ~~may, at its option, must refer, by electronic means,~~ must refer, by electronic means, debts to the commissioner for collection. ~~The ultimate~~ Responsibility for the debt, including the reporting of the debt to the commissioner of finance and the decision with regard to the continuing collection and uncollectibility of the debt, remains with the referring agency.

(b) Before a debt becomes 121 days past due, a referring agency may refer the debt to the commissioner for collection at any time after a debt becomes delinquent and uncontested and the debtor has no further administrative appeal of the amount of the debt. When a debt owed to a ~~state~~ referring agency becomes 121 days past due, the ~~state~~ referring agency must refer the debt to the commissioner for collection. This requirement does not apply if there is a dispute over the amount or validity of the debt, if the debt is the subject of legal action or administrative proceedings, or the agency determines that the debtor is adhering to acceptable payment arrangements. The commissioner, ~~in consultation with the commissioner of finance,~~ may provide that certain types of debt need not be referred to the commissioner for collection under this paragraph. Methods and procedures for referral must follow internal guidelines prepared by the commissioner ~~of finance.~~

(c) If the referring agency is a court, the court must furnish a debtor's Social Security number to the commissioner when the court refers the debt.

**EFFECTIVE DATE.** This section is effective for debts referred on or after January 1, 2008.

Sec. 6. Minnesota Statutes 2006, section 16D.11, subdivision 2, is amended to read:

Subd. 2. **Computation.** At the time a debt is referred, the amount of collection costs is equal to ~~45~~ 17 percent of the debt, ~~or 25 percent of the debt remaining unpaid if the commissioner or private collection agency has to take enforced collection action by serving a summons and complaint on or entering judgment against the debtor, or by utilizing any of the remedies authorized under section 16D.08, subdivision 2, except for the remedies in sections 270C.32 and 270C.65 or when referred by the commissioner for additional collection activity by a private collection agency.~~ If, after referral of a debt to a private collection agency, the debtor requests cancellation of collection costs under subdivision 3, the debt must be returned to the commissioner for resolution of the request.

**EFFECTIVE DATE.** This section is effective for debts referred on or after January 1, 2008.

Sec. 7. Minnesota Statutes 2006, section 16D.11, subdivision 7, is amended to read:

Subd. 7. **Adjustment of rate.** By June 1 of each year, the commissioner ~~of finance~~ shall determine the rate of collection costs for debts referred to the enterprise during the next fiscal year. The rate is a percentage of the debts in an amount that most nearly equals the costs of the enterprise necessary to process and collect referred debts under this chapter. In no event ~~shall the rate of collection costs when a debt is first referred exceed three fifths of the maximum collection costs, and in no event~~ shall the rate of the ~~maximum~~ collection costs exceed 25 percent of the debt. Determination of the rate of collection costs under this section is not subject to the fee setting requirements of section 16A.1285.

**EFFECTIVE DATE.** This section is effective January 1, 2008.

Sec. 8. **[84.635] MINNESOTA LAND CONSERVATION INCENTIVES ACT.**

Subdivision 1. **Citation.** This section may be cited as the "Minnesota Land Conservation Incentives Act of 2007."

Subd. 2. **Purpose and findings.** (a) The legislature finds that Minnesota's unique natural resources are of significant benefit to the state and the public.

(b) The legislature finds that the state of Minnesota's unique natural resources and distinctive natural heritage, including habitat for plants, animals, and natural communities, are being lost at an alarming rate.

(c) The legislature finds that much of Minnesota's unique natural resources and habitats are found on lands which are privately owned.

(d) The legislature shall provide private landowners with incentives to encourage protection of private lands for natural resources, biodiversity conservation, and outdoor recreation purposes.

Subd. 3. **Definitions.** For the purposes of this section, the following terms have the meanings given.

(a) "Fee interest in real property" means fee title in real property that can be legally conveyed.

(b) "Public conservation agency" means the state of Minnesota or a county of the state.

(c) "Landowner" means an individual, estate, trust, partnership, or S-corporation.

(d) "Eligible landowner" means a landowner who makes a donation of fee interest in real property to a public conservation agency.

(e) "Donation of fee interest in real property" means the unconditional donation of a fee interest in real property located in Minnesota and determined by the commissioner of natural resources to meet the criteria for designation as a scientific and natural area under section 86A.05, subdivision 5.

**Subd. 4. Land conservation grant; eligibility.** (a) An eligible landowner is eligible for a grant equal to 30 percent of the fair market value of a donation of fee interest in real property which satisfies the requirements and purposes of this section, up to a maximum grant of \$200,000.

(b) The donation of fee interest in real property must be acceptable to the public conservation agency, which must agree to hold and maintain the property for conservation purposes, and which may not receive any payment in lieu of taxes or other compensation for the property donated after the donation is accepted.

(c) The fair market value of qualified donations made under this section shall be substantiated by a qualified appraisal prepared by a qualified appraiser, as those terms are defined under applicable federal law and regulations governing charitable contributions.

(d) A landowner must establish eligibility by application in a form and manner prescribed by the commissioner to be considered for a grant under subdivision 5.

(e) The maximum amount of statewide grants is \$1,000,000 for each fiscal year.

**Subd. 5. Land conservation grant; award by commissioner.** The commissioner shall:

(1) approve donations of fee interest in real property to a public conservation agency as qualifying for a grant under this section;

(2) determine criteria and priorities for awarding grants to landowners approved as qualifying for a grant under clause (1);

(3) provide grants to landowners who qualify under clause (1) and meet the criteria and priorities under clause (2); and

(4) not award more than a total of \$1,000,000 of land conservation grants per fiscal year.

**Subd. 6. Authorizing rulemaking; requiring report.** The commissioner of natural resources shall adopt such rules as may be deemed necessary to implement the land conservation grant program under this section. The commissioner shall prepare a report to the legislature each year, in compliance with sections 3.195 and 3.197, showing the lands protected under this section.

**Subd. 7. Construction.** No part of this section shall be interpreted to alter or amend any permit requirements, reporting requirements, allocation procedures, or other requirements set forth in any other provision of state law.

Sec. 9. Minnesota Statutes 2006, section 270C.03, subdivision 1, is amended to read:

Subdivision 1. **Powers and duties.** The commissioner shall have and exercise the following powers and duties:

- (1) administer and enforce the assessment and collection of taxes;
- (2) make determinations, corrections, and assessments with respect to taxes, including interest, additions to taxes, and assessable penalties;
- (3) use statistical or other sampling techniques consistent with generally accepted auditing standards in examining returns or records and making assessments;
- (4) investigate the tax laws of other states and countries, and formulate and submit to the legislature such legislation as the commissioner may deem expedient to prevent evasions of state revenue laws and to secure just and equal taxation and improvement in the system of state revenue laws;
- (5) consult and confer with the governor upon the subject of taxation, the administration of the laws in regard thereto, and the progress of the work of the department, and furnish the governor, from time to time, such assistance and information as the governor may require relating to tax matters;
- (6) execute and administer any agreement with the secretary of the treasury or the Bureau of Alcohol, Tobacco, Firearms, and Explosives in the Department of Justice of the United States or a representative of another state regarding the exchange of information and administration of the state revenue laws;
- (7) require town, city, county, and other public officers to report information as to the collection of taxes received from licenses and other sources, and such other information as may be needful in the work of the commissioner, in such form as the commissioner may prescribe;
- (8) authorize the use of unmarked motor vehicles to conduct seizures or criminal investigations pursuant to the commissioner's authority; ~~and~~
- (9) maintain toll-free telephone access for taxpayer assistance for calls from locations within the state; and
- (10) exercise other powers and authority and perform other duties required of or imposed upon the commissioner by law.

**EFFECTIVE DATE.** This section is effective January 1, 2008.

Sec. 10. **[270C.21] TAXPAYER ASSISTANCE GRANTS.**

When the commissioner awards grants to nonprofit organizations to coordinate, facilitate, encourage, and aid in the provision of taxpayer assistance services, the commissioner must provide public notice of the grants in a timely manner so that the grant process is completed and grants are awarded by October 1, in order for recipient organizations to adequately plan expenditures for the filing season. At the time the commissioner provides public notice, the commissioner must also notify nonprofit organizations that received grants in the previous biennium.

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

Sec. 11. **[270C.435] REFUNDS NOT SUBJECT TO ATTACHMENT OR GARNISHMENT.**

No amount of a tax refund or other payment payable by the commissioner to a taxpayer is assignable or subject to execution, levy, attachment, garnishment, lien foreclosure, or other legal process, except as specifically provided by law.

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

Sec. 12. Minnesota Statutes 2006, section 270C.446, subdivision 2, is amended to read:

Subd. 2. **Required and excluded tax preparers.** (a) Subject to the limitations of paragraph (b), the commissioner must publish lists of tax preparers as defined in section 289A.60, subdivision 13, paragraph (f), who have been convicted under section 289A.63 or assessed penalties in excess of \$1,000 under section 289A.60, subdivision 13, paragraph (a).

(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.

**EFFECTIVE DATE.** This section is effective for penalties on returns filed after December 31, 2007.

Sec. 13. Minnesota Statutes 2006, section 270C.56, subdivision 1, is amended to read:

Subdivision 1. **Liability imposed.** A person who, either singly or jointly with others, has the control of, supervision of, or responsibility for filing returns or reports, paying taxes, or collecting or withholding and remitting taxes and who fails to do so, or a person who is liable under any other law, is liable for the payment of taxes, penalties, and interest arising under chapters 295, 296A, 297A, 297F, and 297G, or sections 290.92 and 297E.02, and, for the taxes listed in this subdivision, the applicable penalties for nonpayment under section 289A.60.

**EFFECTIVE DATE.** This section is effective for personal liability assessments made on or after the day following final enactment.

Sec. 14. Minnesota Statutes 2006, section 270C.63, subdivision 9, is amended to read:

Subd. 9. **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 at the Office of the Secretary of State may be transcribed to any county within ten years after the date of its filing, but the transcription does not extend the period during which the lien is enforceable. 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 for liens transcribed on or after the day following final enactment.

Sec. 15. Minnesota Statutes 2006, section 424A.10, subdivision 3, is amended to read:

Subd. 3. **State reimbursement.** ~~(a) By February 15 of each year, the treasurer of the relief association shall apply to the commissioner of revenue~~ Each year, to be eligible for state reimbursement of the amount of supplemental benefits paid under subdivision 2 during the preceding calendar year, the relief association must apply to the commissioner of revenue by February 15. By March 15 the commissioner shall reimburse the relief association for the amount of the supplemental benefits paid to qualified recipients.

(b) The commissioner of revenue shall prescribe the form of and supporting information that must be supplied as part of the application for state reimbursement. The commissioner of revenue shall reimburse the relief association by paying the reimbursement amount to the treasurer of the municipality where the association is located. Within 30 days after receipt, the municipal treasurer shall transmit the state reimbursement to the treasurer of the association if the association has filed a financial report with the municipality. If the relief association has not filed a financial report with the municipality, the municipal treasurer shall delay transmission of the reimbursement payment to the association until the complete financial report is filed. If the association has dissolved or has been removed as a trustee of state aid, the treasurer shall deposit the money in a special account in the municipal treasury, and the money may be disbursed only for the purposes and in the manner provided in section 424A.08. When paid to the association,

~~(e)~~ the reimbursement payment must be deposited in the special fund of the relief association.

~~(d)~~ (c) A sum sufficient to make the payments is appropriated from the general fund to the commissioner of revenue.

**EFFECTIVE DATE.** This section is effective January 1, 2007, and thereafter.

Sec. 16. **FINANCIAL MANAGEMENT.**

Notwithstanding the provisions of Minnesota Statutes, section 16A.1522, subdivision 4, the commissioner of finance shall designate any positive general fund budgetary balance on June 30, 2007, as an unrestricted balance. Money so designated shall remain available for general fund appropriations authorized in fiscal years 2008 and 2009.

Sec. 17. **HOMESTEAD CREDIT STATE REFUND TRANSITION RESERVE.**

Subdivision 1. **Reserve account.** A homestead credit state refund transition reserve account is established in the general fund to provide two additional years of transition funding for the homestead credit state refund.

Subd. 2. **Transfer to account.** On June 29, 2009, the commissioner of finance shall transfer \$84,295,000 from the general fund to the homestead credit state refund transition reserve account.

Subd. 3. **Transfer to general fund.** On July 1, 2009, the commissioner of finance shall transfer the balance in the homestead credit state refund transition reserve account to the general fund.

Subd. 4. **Expiration date.** This section expires July 2, 2009.

Sec. 18. **LIGNOCELLULOSIC ETHANOL PRODUCTION GRANT; APPROPRIATION.**

\$4,735,000 is appropriated in fiscal year 2008 from the general fund to the commissioner of agriculture for a competitive grant to a biofuel producer for the design and construction of a new plant or the conversion of an existing plant in Minnesota that produces ethanol from lignocellulosic feedstocks. The commissioner of agriculture

shall solicit proposals for demonstration projects. The proposals shall be reviewed and the winning proposal chosen by the NextGen Energy Board established by the 85th Legislative Session House File 2227, the third engrossment. Eligible lignocellulosic feedstocks include dedicated energy crops and trees, wood and wood residues, plants, grasses, agricultural residues, fibers, animal wastes and other waste materials, and municipal solid waste. The NextGen Energy Board shall select a proposal that: (1) demonstrates sufficient funding from all sources to fully construct or retrofit an ethanol plant and produce ethanol from eligible lignocellulosic feedstocks; (2) demonstrates the continued economic viability of the project once the initial construction costs are paid; and (3) proposes to construct or retrofit an ethanol plant that can be easily replicated in Minnesota. Proposals solely to replace energy inputs derived from fossil fuels with energy derived from lignocellulosic sources are not eligible. This appropriation is available until expended.

Sec. 19. **APPROPRIATION.**

\$1,000,000 in fiscal year 2008 and \$1,000,000 in fiscal year 2009 are appropriated from the general fund to the commissioner of natural resources to make land conservation grants as provided in Minnesota Statutes, section 84.635.

Sec. 20. **APPROPRIATIONS.**

(a) \$310,000 is appropriated for fiscal year 2008 and \$58,000 is appropriated for fiscal year 2009 from the general fund to the commissioner of revenue to administer this act.

(b) Of these amounts:

(i) \$150,000 in fiscal year 2008 is for the fiscal disparities study required under article 3;

(ii) \$87,000 in fiscal year 2008 is for the sales and use tax study required under article 6; and

(iii) \$73,000 in fiscal year 2008 and \$58,000 in fiscal year 2009 is for administering 1099 reporting requirements under article 5. The \$58,000 in fiscal year 2009 becomes part of the agency's base budget for fiscal years 2010 and 2011."

Delete the title and insert:

"A bill for an act relating to the financing and operation of state and local government; making policy, technical, administrative, enforcement, collection, refund, and other changes to income, franchise, property, sales and use, motor vehicle sales, health care provider, cigarette and tobacco products, insurance premiums, aggregate removal, mortgage, deed, production, estate, gambling, and other taxes and tax-related provisions; providing a homestead credit state refund; providing for aids to local governments; increasing property tax refunds; providing and changing income and franchise tax credits, subtractions, apportionment, and alternative minimum taxes; adding an income tax bracket and rate; requiring tax withholding; modifying taxation of certain compensation paid to nonresidents; providing for taxation of foreign operating corporations; modifying and authorizing sales tax exemptions; prohibiting new local sales taxes; modifying and authorizing local government sales taxes; imposing a surcharge on certain admissions; modifying property tax exemptions, tax bases, levies, valuation, classes, class rates, credits, statements, abatement, truth in taxation, payment options, and appeals; extending and establishing certain property tax deferral programs; changing tax increment financing provisions; changing certain border city allocation and JOBZ requirements; establishing a FARMZ program; changing provisions relating to fiscal disparities, state debt collection procedures, sustainable forest incentives programs, tax-forfeited land sales, leases, exchanges, and use of proceeds; changing distributions of production tax proceeds; providing for purchase of forest lands; providing for higher education grants in the taconite assistance area; providing for taxation of gifts; conforming provisions to

certain changes in federal laws; changing and imposing powers, duties, and requirements on certain local governments and authorities and state departments or agencies; transferring money to the budget reserve account; providing for state funds and accounts; providing for bioscience, land conservation, film production costs reimbursement, and Lignocellulosic ethanol production grants; authorizing release of certain data; requiring studies; appropriating money; amending Minnesota Statutes 2006, sections 16A.152, subdivisions 1b, 2, by adding a subdivision; 16D.04, subdivisions 1, 2; 16D.11, subdivisions 2, 7; 37.13, by adding a subdivision; 62I.06, subdivision 6; 71A.04, subdivision 1; 97A.061, subdivision 2; 127A.48, subdivision 3; 268.19, subdivision 1; 270.071, subdivision 7; 270.072, subdivisions 2, 3, 6; 270.074, subdivision 3; 270.076, subdivision 1; 270.41, subdivisions 1, 2, 3, 5, by adding a subdivision; 270.44; 270.45; 270.46; 270.47; 270.48; 270.50; 270A.03, subdivision 5; 270B.15; 270C.03, subdivision 1; 270C.306; 270C.34, subdivision 1; 270C.446, subdivision 2; 270C.56, subdivision 1; 270C.63, subdivision 9; 272.02, subdivision 64, by adding subdivisions; 272.115, subdivision 1; 273.05, by adding a subdivision; 273.11, subdivision 1a, by adding a subdivision; 273.111, subdivision 3, by adding a subdivision; 273.117; 273.121; 273.123, subdivisions 2, 3, 7; 273.124, subdivisions 1, 13, 14, 21; 273.125, subdivision 8; 273.128, subdivision 1, by adding a subdivision; 273.13, subdivisions 22, 23, 24, 25, 33, by adding a subdivision; 273.1384, subdivision 1; 273.1398, subdivision 4; 273.33, subdivision 2; 273.37, subdivision 2; 273.371, subdivision 1; 274.01, subdivision 1; 274.13, subdivision 1; 275.065, subdivisions 3, 5a, by adding subdivisions; 275.067; 276.04, subdivision 2, by adding a subdivision; 277.01, subdivision 2; 278.05, subdivision 6; 279.01, subdivision 1, by adding a subdivision; 279.37, subdivision 1a; 280.39; 287.22; 287.2205; 289A.02, subdivision 7; 289A.08, subdivisions 3, 11, 13; 289A.09, subdivision 2; 289A.12, subdivisions 4, 14, by adding a subdivision; 289A.18, subdivision 1; 289A.31, subdivision 7; 289A.40, subdivisions 2, 4; 289A.56, by adding a subdivision; 289A.60, subdivisions 8, 12, 25, 27, by adding subdivisions; 290.01, subdivisions 5, 19, as amended, 19b, 19c, 19d, 31, as amended; 290.06, subdivisions 2c, 2d, 33, by adding a subdivision; 290.067, subdivisions 1, 2b; 290.0671, subdivision 7; 290.0677, subdivision 1; 290.091, subdivision 3; 290.0921, subdivision 3; 290.17, subdivisions 2, 4, by adding a subdivision; 290.191, subdivisions 2, 3, 5, 8; 290.21, subdivision 4; 290.92, by adding a subdivision; 290A.03, subdivisions 7, 13, 15, as amended; 290A.04, subdivisions 2a, 2h, 4, by adding a subdivision; 290B.03, subdivisions 1, 2; 290B.04, subdivisions 3, 4; 290B.05, subdivision 1; 290B.07; 290C.02, subdivision 3; 290C.04; 290C.05; 290C.07; 290C.11; 291.005, subdivision 1; 291.03, subdivision 1, by adding subdivisions; 291.215, subdivision 1; 295.52, subdivisions 4, 4a; 295.54, subdivision 2; 296A.18, subdivision 4; 297A.61, subdivisions 3, 4, 7, 10, 12, 24, by adding subdivisions; 297A.63, subdivision 1; 297A.665; 297A.668, by adding a subdivision; 297A.669, subdivisions 3, 13, 14, by adding subdivisions; 297A.67, subdivisions 7, 8, 9; 297A.68, subdivisions 11, 16, 35, by adding a subdivision; 297A.69, subdivisions 2, 3; 297A.70, subdivisions 3, 7, 8, by adding subdivisions; 297A.71, subdivision 23, by adding subdivisions; 297A.72; 297A.75, subdivisions 1, 2, 3, by adding a subdivision; 297A.90, subdivision 2; 297A.99, subdivision 1; 297B.03; 297B.035, subdivision 1; 297E.02, by adding a subdivision; 297F.01, subdivision 19, by adding a subdivision; 297F.05, subdivisions 3, 4, by adding a subdivision; 297F.06, subdivision 4; 297F.21, subdivision 3; 297F.25, by adding a subdivision; 297I.06, subdivisions 1, 2; 297I.15, by adding a subdivision; 297I.20, subdivision 2; 297I.40, subdivision 5; 298.22, by adding a subdivision; 298.2214, subdivision 2; 298.28, subdivision 4, by adding a subdivision; 298.292, subdivision 2; 298.2961, subdivision 4; 298.75, by adding a subdivision; 424A.10, subdivision 3; 435.193; 469.169, by adding a subdivision; 469.1734, subdivision 6; 469.174, subdivisions 10, 10a, 27; 469.175, subdivisions 1, 3; 469.176, subdivisions 1, 2, 4l, 7; 469.1761, subdivision 1; 469.1763, subdivision 2; 469.177, subdivision 1; 469.178, subdivision 7; 469.1791, subdivision 3; 469.1813, subdivision 1a; 469.310, by adding a subdivision; 469.312, by adding subdivisions; 469.314, subdivision 1; 469.3201; 473F.01, subdivision 2; 473F.08, subdivisions 5, 7a; 477A.011, subdivisions 34, 36; 477A.0124, subdivision 5; 477A.013, subdivisions 8, 9, by adding a subdivision; 477A.03; 477A.12, subdivision 1; 477A.14, subdivision 1; Laws 1973, chapter 393, section 1, as amended; Laws 1980, chapter 511, section 1, subdivision 2, as amended; Laws 1994, chapter 587, article 9, section 14, subdivisions 1, 2, 3; Laws 1995, chapter 264, article 5, sections 44, subdivision 4, as amended; 45, subdivision 1, as amended; Laws 2005, First Special Session chapter 3, article 5, section 39; Laws 2006, chapter 236, article 1, section 21; proposing coding for new law in Minnesota Statutes, chapters 84; 270; 270C; 273; 274; 290; 290C; 295; 297A; 383D; 383E; 469; proposing coding for new law as Minnesota Statutes, chapter 290D; repealing Minnesota Statutes 2006, sections 270.073; 270.41, subdivision 4; 270.43; 270.51; 270.52; 270.53; 290.01, subdivision 6b; 290.0921,



subdivision 7; 290.191, subdivision 4; 290A.04, subdivision 2; 295.60; 297A.61, subdivision 20; 297A.668, subdivision 6; 297A.67, subdivision 22; 383A.80, subdivision 4; 383B.80, subdivision 4; 469.174, subdivision 29; 473F.08, subdivision 3a; Laws 1973, chapter 393, section 2; Laws 1994, chapter 587, article 9, section 8, subdivision 1, as amended."

With the recommendation that when so amended the bill pass and be re-referred to the Committee on Ways and Means.

#### MINORITY REPORT

April 24, 2007

We, the undersigned, being a minority of the Committee on Taxes, recommend that H. F. No. 2362 do pass with the following amendments:

Delete everything after the enacting clause and insert:

#### "ARTICLE 1

#### GOVERNOR'S INITIATIVES

Section 1. Minnesota Statutes 2006, section 16A.152, subdivision 1b, is amended to read:

Subd. 1b. **Budget reserve increase.** On July 1, ~~2003~~ 2007, the commissioner of finance shall transfer ~~\$300,000,000~~ \$47,000,000 to the budget reserve account in the general fund. ~~On July 1, 2004, the commissioner of finance shall transfer \$296,000,000 to the budget reserve account in the general fund.~~ The amounts necessary for this purpose are appropriated from the general fund.

Sec. 2. Minnesota Statutes 2006, section 16A.152, subdivision 2, is amended to read:

Subd. 2. **Reserve goal; additional revenues; priority.** ~~(a)~~ If on the basis of a forecast of general fund revenues and expenditures, the commissioner of finance determines that there will be a positive unrestricted budgetary general fund balance at the close of the biennium that exceeds \$125,000,000, the commissioner of finance ~~must allocate money~~ shall transfer up to \$50,000,000 to the following accounts and purposes in priority order:

(1) the cash flow account established in subdivision 1 until that account reaches \$350,000,000;

(2) the budget reserve account established in subdivision 1a until that account reaches ~~\$653,000,000~~; an amount equal to five percent of forecast general fund spending for the second year of the biennium.

~~(3) the amount necessary to increase the aid payment schedule for school district aids and credits payments in section 127A.45 to not more than 90 percent rounded to the nearest tenth of a percent without exceeding the amount available and with any remaining funds deposited in the budget reserve; and~~

~~(4) the amount necessary to restore all or a portion of the net aid reductions under section 127A.441 and to reduce the property tax revenue recognition shift under section 123B.75, subdivision 5, paragraph (c), and Laws 2003, First Special Session chapter 9, article 5, section 34, as amended by Laws 2003, First Special Session chapter 23, section 20, by the same amount.~~

~~(b) The amounts necessary to meet the requirements of this section are appropriated from the general fund within two weeks after the forecast is released or, in the case of transfers under paragraph (a), clauses (3) and (4), as necessary to meet the appropriations schedules otherwise established in statute.~~

~~(c) To the extent that a positive unrestricted budgetary general fund balance is projected, appropriations under this section must be made before section 16A.1522 takes effect.~~

~~(d) The commissioner of finance shall certify the total dollar amount of the reductions under paragraph (a), clauses (3) and (4), to the commissioner of education. The commissioner of education shall increase the aid payment percentage and reduce the property tax shift percentage by these amounts and apply those reductions to the current fiscal year and thereafter.~~

Sec. 3. Minnesota Statutes 2006, section 126C.10, subdivision 13a, is amended to read:

Subd. 13a. **Operating capital levy.** To obtain operating capital revenue for fiscal year 2007 and later, a district may levy an amount not more than the product of its operating capital revenue for the fiscal year times the lesser of one or the ratio of its adjusted net tax capacity per adjusted marginal cost pupil unit to the operating capital equalizing factor. The operating capital equalizing factor equals \$22,222 for fiscal year 2006, and \$10,700 for fiscal year 2007 2008 and \$17,590 for fiscal year 2009 and later.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2009.

Sec. 4. Minnesota Statutes 2006, 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, and 2a homestead property within the county equal to 0.4 percent of the first \$76,000 of market value of the property minus .09 percent of the market value in excess of \$76,000 \$118,000. 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 that 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, not all the owners have qualifying relatives occupying the property, or solely because not all the spouses of owners 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. For the purpose of this section, when an owner-occupant's spouse does not occupy the property, the percentage of ownership for the owner-occupant spouse is one-half of the couple's ownership percentage.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2008 and thereafter.

Sec. 5. Minnesota Statutes 2006, 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 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 and under the provisions of Public Law 109-1;

(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;

(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;

(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;

(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 Minnesota residents who are members of the armed forces of the United States or United Nations for active duty ~~performed outside Minnesota;~~

(13) 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 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 for each instance of organ donation for transplantation during the taxable year in which the qualified expenses occur;

(14) 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 (16), 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 (16), 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;

(15) to the extent included in federal taxable income, compensation paid to a nonresident who is 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); ~~and~~

(16) international economic development zone income as provided under section 469.325-; and

(17) to the extent included in federal taxable income, a percentage of compensation received from a pension or other retirement pay from the government for service in the armed forces of the United States, up to a maximum amount. For taxable years beginning after December 31, 2006, and before January 1, 2008, the percentage is 25 percent and the maximum amount is \$7,500; for taxable years beginning after December 31, 2007, and before January 1, 2009, the percentage is 50 percent and the maximum amount is \$15,000; for taxable years beginning after December 31, 2008, and before January 1, 2010, the percentage is 75 percent and the maximum amount is \$22,500; and for taxable years beginning after December 31, 2009, the percentage is 100 percent and there is no maximum amount.

**EFFECTIVE DATE.** This section is effective for tax years beginning after December 31, 2006, except that the changes in clauses (11) and (12) are phased in over the tax years beginning after December 31, 2006, and before December 31, 2009. For tax years beginning after December 31, 2006, and before January 1, 2008, 25 percent of the compensation affected by the changes in clauses (11) and (12) are an allowable subtraction. For the tax year beginning after December 31, 2007, and before January 1, 2009, 50 percent is allowed. For the tax year beginning after December 31, 2008, and before January 1, 2010, 75 percent is allowed. For tax years beginning after December 31, 2009, 100 percent is allowed.

Sec. 6. Minnesota Statutes 2006, section 290.06, is amended by adding a subdivision to read:

Subd. 34. **Dairy investment credit.** (a) A dairy investment credit is allowed against the tax due under this chapter equal to ten percent of the amount paid or incurred by the taxpayer, on the first \$500,000 of qualifying expenditures made in the qualifying period.

(b) "Qualifying expenditures" means for purposes of this subdivision the amount spent for the acquisition, 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 the following, if related to dairy animals in this state:

- (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 pumping and storage facilities;
- (11) digesters; and
- (12) equipment used to produce energy.

Qualified 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 chapter for the taxable year. 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) The qualifying period is that time after December 31, 2006, and before January 1, 2013.

(e) The \$50,000 maximum credit applies at the entity level for partnerships, S corporations, trusts, and estates as well as at the individual level. In the case of married individuals, the credit is limited to \$50,000 for a married couple.

**EFFECTIVE DATE.** This section is effective for tax years beginning after December 31, 2006.

Sec. 7. Minnesota Statutes 2006, section 290.06, is amended by adding a subdivision to read:

Subd. 35. **Regional investment credit.** (a) A credit is allowed against the tax imposed by this chapter for investment in a qualified regional angel investment network fund. The credit equals 25 percent of the taxpayer's investment made in the fund, but not to exceed the lesser of:

(1) the liability for tax under this chapter, including the applicable alternative minimum tax; or

(2) the taxpayer's share of the amount of the certificate issued to the fund by the commissioner of employment and economic development under paragraph (c).

The taxpayer must claim the credit in the same tax year in which the investment to the fund is made. The credit is allowed only for investments made to a fund that are made after the fund has been certified by the commissioner of employment and economic development under paragraph (c).

(b) For purposes of this subdivision, a regional angel investment network fund means a pool investment fund that:

(1) is organized as a limited liability company and consists of members who are accredited investors within the meaning of Regulation D of the Securities and Exchange Commission, Code of Federal Regulations, title 17, section 230.501(a); or consists of members that are not accredited investors that make equity investments or investments in notes that pay interest or other fixed amounts or any combination of both;

(2) primarily makes investments in qualified small business ventures as defined in paragraph (f);

(3) has no fewer than five separate investors and no investor owns more than 25 percent of the outstanding ownership interests in the fund. For purposes of determining the number of investors and the ownership interest of an investor under this clause, the ownership interests of an investor include those of:

(i) the investor's spouse, a child, and sibling; and

(ii) a corporation, partnership, or trust in which the investor has a controlling equity interest or in which the investor exercises management control.

(c) Regional angel investment network funds may apply to the commissioner of employment and economic development for certification as a qualifying regional angel investment network fund. The application must be in the form and made under procedures specified by the commissioner of employment and economic development. The commissioner of employment and economic development may certify up to 20 funds and may provide certificates entitling investors in each fund to tax credits under this subdivision of up to \$600,000 for each fund. The commissioner of employment and economic development must not issue a total amount of certificates for all funds of more than \$6,000,000. In awarding certificates under this paragraph, the commissioner of employment and economic development shall generally award them to qualified applicants in the order in which the applications are received, but shall also seek to certify funds that are broadly dispersed across the entire state.

(d) Each fund must provide each investor a statement indicating the investor's share of the credit amount certified to the fund under paragraph (c) based on the order in which that investor's investment is made to the fund.

(e) If the amount of the credit under this subdivision for any taxable year exceeds the limitation under paragraph (a), clause (1), the excess is a credit carryover to each of the ten succeeding taxable years. The entire amount of the excess unused credit for the taxable year must be 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 may not exceed the taxpayer's liability for tax less the credit for the taxable year.

(f) A business is a qualified small business venture for purposes of this subdivision only if the business satisfies the following conditions:

(1) the business is engaged in, or is committed to engage in, manufacturing, agriculture, processing or assembling products, conducting research and development, or developing a new product or business process;

(2) the business is not engaged in real estate development, insurance, banking, lending, lobbying, political consulting, wholesale or retail trade, leisure, hospitality, transportation, construction, or professional services provided by attorneys, accountants, business consultants, physicians, or health care consultants;

(3) the business has its headquarters in Minnesota;

(4) at least 51 percent of the business's employees are employed in Minnesota;

(5) the business has less than 100 employees;

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

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

(8) the business is not part of a unitary business that employs more than 100 employees.

A business that does not meet all of the conditions in clauses (3) through (8) is not a qualified small business venture unless the commissioner of employment and economic development determines, prior to the investment by the fund, that the business is a small business as defined by the small business administration, or by other criteria in Minnesota law.

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

Sec. 8. Minnesota Statutes 2006, 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;

(B) for taxable years beginning after December 31, 2005, 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, 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 (9) to ~~(16)~~ (17).

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, 2006.



Sec. 9. Minnesota Statutes 2006, 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) 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) 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) 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:

Taxable years beginning during calendar year	Sales factor percent	Property factor percent	Payroll factor percent
2007	78	11	11
2008	<del>84</del> <u>85</u>	<del>9.5</del> <u>7.5</u>	<del>9.5</del> <u>7.5</u>
2009	<del>84</del> <u>90</u>	<del>8</del> <u>5</u>	<del>8</del> <u>5</u>
2010	<del>87</del> <u>95</u>	<del>6.5</del> <u>2.5</u>	<del>6.5</del> <u>2.5</u>
2011	<del>90</del>	<del>5</del>	<del>5</del>
<del>2012</del>	<del>93</del>	<del>3.5</del>	<del>3.5</del>
<del>2013</del>	<del>96</del>	<del>2</del>	<del>2</del>
2014 and later calendar years	100	0	0

**EFFECTIVE DATE.** This section is effective for tax years beginning after December 31, 2006.

Sec. 10. Minnesota Statutes 2006, section 290A.04, subdivision 2, is amended to read:

Subd. 2. **Homeowners.** A claimant whose property taxes payable are in excess of the percentage of the household income stated below shall pay an amount equal to the percent of income shown for the appropriate household income level along with the percent to be paid by the claimant of the remaining amount of property taxes payable. The state refund equals the amount of property taxes payable that remain, up to the state refund amount shown below.

Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
\$0 to 1,189	1.0 percent	15 percent	<del>\$1,450</del> <u>\$1,810</u>
1,190 to 2,379	1.1 percent	15 percent	<del>\$1,450</del> <u>\$1,810</u>
2,380 to 3,589	1.2 percent	15 percent	<del>\$1,410</del> <u>\$1,760</u>
3,590 to 4,789	1.3 percent	20 percent	<del>\$1,410</del> <u>\$1,760</u>
4,790 to 5,979	1.4 percent	20 percent	<del>\$1,360</del> <u>\$1,700</u>
5,980 to 8,369	1.5 percent	20 percent	<del>\$1,360</del> <u>\$1,700</u>
8,370 to 9,559	1.6 percent	25 percent	<del>\$1,310</del> <u>\$1,570</u>
9,560 to 10,759	1.7 percent	25 percent	<del>\$1,310</del> <u>\$1,570</u>
10,760 to 11,949	1.8 percent	25 percent	<del>\$1,260</del> <u>\$1,520</u>
11,950 to 13,139	1.9 percent	30 percent	<del>\$1,260</del> <u>\$1,520</u>
13,140 to 14,349	2.0 percent	30 percent	<del>\$1,210</del> <u>\$1,450</u>
14,350 to 16,739	2.1 percent	30 percent	<del>\$1,210</del> <u>\$1,450</u>
16,740 to 17,929	2.2 percent	35 percent	<del>\$1,160</del> <u>\$1,330</u>
17,930 to 19,119	2.3 percent	35 percent	<del>\$1,160</del> <u>\$1,330</u>
19,120 to 20,319	2.4 percent	35 percent	<del>\$1,110</del> <u>\$1,280</u>
20,320 to 25,099	2.5 percent	40 percent	<del>\$1,110</del> <u>\$1,280</u>
25,100 to 28,679	2.6 percent	40 percent	<del>\$1,070</del> <u>\$1,230</u>
28,680 to 35,849	2.7 percent	40 percent	<del>\$1,070</del> <u>\$1,230</u>
35,850 to 41,819	2.8 percent	45 percent	<del>\$970</del> <u>\$1,070</u>
41,820 to 47,799	3.0 percent	45 percent	<del>\$970</del> <u>\$1,070</u>
47,800 to 53,779	3.2 percent	45 percent	<del>\$870</del> <u>\$960</u>
53,780 to 59,749	3.5 percent	50 percent	<del>\$780</del> <u>\$860</u>
59,750 to 65,729	4.0 percent	50 percent	<del>\$680</del> <u>\$750</u>
65,730 to 69,319	4.0 percent	50 percent	<del>\$580</del> <u>\$640</u>

69,320 to 71,719	4.0 percent	50 percent	<del>\$480</del> <u>\$530</u>
71,720 to 74,619	4.0 percent	50 percent	<del>\$390</del> <u>\$430</u>
74,620 to 77,519	4.0 percent	50 percent	<del>\$290</del> <u>\$320</u>

The payment made to a claimant shall be the amount of the state refund calculated under this subdivision. No payment is allowed if the claimant's household income is \$77,520 or more.

**EFFECTIVE DATE.** This section is effective beginning with refunds based on property taxes payable in 2008.

Sec. 11. Minnesota Statutes 2006, section 297A.68, subdivision 5, is amended to read:

Subd. 5. **Capital equipment.** (a) Capital equipment is exempt as follows:

(1) For sales and purchases of capital equipment by the wood products industry, the tax is not imposed.

(2) For sales and purchases of capital equipment by a small business, the tax is not imposed. For purposes of this subdivision, "small business" is as defined in section 645.455, subdivision 2.

(3) For all other sales and purchases of capital equipment, 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.

"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 online 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;

(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) "Online 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.

(11) "Wood products industry" means manufacturers of pulp, paper, and paperboard; sawmills and planing mills; manufacturers of panel board including veneer, plywood, and reconstituted wood products such as particleboard, waferboard, and oriented strandboard; manufacturers of fabricated wood millwork; manufacturers of structural wood members; and manufacturers of prefabricated wood buildings and components. For purposes of this subdivision, "wood products industry" does not include logging; manufacturers of wood cabinets, furniture, office or store fixtures, toys and playground equipment, caskets, or miscellaneous wood products; manufacturers of wood containers; businesses engaged in wood preserving; the operation of timber tracts or tree farms; forest nurseries and the gathering of forest products; and forestry services related to timber production.

~~(11)~~ (12) This subdivision does not apply to telecommunications equipment as provided in subdivision 35, and does not apply to wire, cable, fiber, poles, or conduit for telecommunications services.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2007.

Sec. 12. Minnesota Statutes 2006, section 297A.70, subdivision 2, is amended to read:

Subd. 2. **Sales to government.** (a) All sales, except those listed in paragraph (b), to the following governments and political subdivisions, or to the listed agencies or instrumentalities of governments and political subdivisions, are exempt:

(1) the United States and its agencies and instrumentalities;

(2) school districts, the University of Minnesota, state universities, community colleges, technical colleges, state academies, the Perpich Minnesota Center for Arts Education, and an instrumentality of a political subdivision that is accredited as an optional/special function school by the North Central Association of Colleges and Schools;

(3) hospitals and nursing homes owned and operated by political subdivisions of the state of tangible personal property and taxable services used at or by hospitals and nursing homes;

(4) the Metropolitan Council, for its purchases of vehicles and repair parts to equip operations provided for in section 473.4051;

(5) other states or political subdivisions of other states, if the sale would be exempt from taxation if it occurred in that state; ~~and~~

(6) sales to public libraries, public library systems, multicounty, multitype library systems as defined in section 134.001, county law libraries under chapter 134A, state agency libraries, the state library under section 480.09, and the Legislative Reference Library; and

(7) Department of Transportation purchases that are made from the trunk highway fund.

(b) This exemption does not apply to the sales of the following products and services:

(1) building, construction, or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a building or facility;

(2) construction materials purchased by tax exempt entities or their contractors to be used in constructing buildings or facilities which will not be used principally by the tax exempt entities;

(3) the leasing of a motor vehicle as defined in section 297B.01, subdivision 5, except for leases entered into by the United States or its agencies or instrumentalities; or

(4) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause (2), and prepared food, candy, and soft drinks, except for lodging, prepared food, candy, and soft drinks purchased directly by the United States or its agencies or instrumentalities.

(c) As used in this subdivision, "school districts" means public school entities and districts of every kind and nature organized under the laws of the state of Minnesota, and any instrumentality of a school district, as defined in section 471.59.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2007.

Sec. 13. Minnesota Statutes 2006, section 297A.71, is amended by adding a subdivision to read:

Subd. 40. **Legal reference office and data center facility.** Materials and supplies used or consumed in, and equipment incorporated into, the construction, improvement, or expansion of a legal reference office and data center facility is exempt if:

(1) the facility is engaged in the development or provision of print or online versions of legal reference products and services; and

(2) the total capital investment made in the facility is at least \$60,000,000.

Except for equipment owned or leased by a contractor, all machinery, equipment, appliances, furniture, fixtures, and technical equipment, including data processing, data storage, and telecommunications hardware and software, necessary to the construction and equipping of the facility to provide those services are also exempt.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after December 31, 2006, and before January 1, 2012.

Sec. 14. Minnesota Statutes 2006, section 297A.71, is amended by adding a subdivision to read:

Subd. 41. **Commuter rail; material, supplies, and equipment.** Materials and supplies used or consumed in, and equipment incorporated into, the construction or improvement of a commuter rail transportation system operated under sections 174.80 to 174.90 are exempt. This exemption includes railroad cars and engines and related equipment.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after December 31, 2006.

Sec. 15. Minnesota Statutes 2006, 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 on which the tax is imposed and collected~~ 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) elevators and 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;
- (9) materials and supplies for qualified low-income housing under section 297A.71, subdivision 23;
- (10) materials, supplies, and equipment for municipal electric utility facilities under section 297A.71, subdivision 35;
- (11) equipment and materials used for the generation, transmission, and distribution of electrical energy and an aerial camera package exempt under section 297A.68, subdivision 37; and
- (12) tangible personal property and taxable services and construction materials, supplies, and equipment exempt under section 297A.68, subdivision 41.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2007.

Sec. 16. Minnesota Statutes 2006, section 297A.75, subdivision 3, is amended to read:

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

(b) An applicant may not file more than two applications per calendar year for refunds for taxes paid on capital equipment ~~exempt~~ on which the tax is imposed and collected under section 297A.68, subdivision 5.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2007.

Sec. 17. Minnesota Statutes 2006, section 469.312, subdivision 5, is amended to read:

Subd. 5. **Duration limit.** (a) The maximum duration of a zone is 12 years. The applicant may request a shorter duration. The commissioner may specify a shorter duration, regardless of the requested duration.

(b) The duration limit under this subdivision and the duration of the zone for purposes of allowance of tax incentives described in section 469.315 is extended by three calendar years for each parcel of property that meets the following requirements:

(1) the qualified business operates an ethanol plant, as defined in section 41A.09, on the site that includes the parcel; and

(2) the business subsidy agreement was executed after April 30, 2006.

(c)(1) Notwithstanding the 12-year zone limitation, all qualified businesses that sign a business subsidy agreement, as required under sections 469.310, subdivision 11, and 469.313, before December 31, 2015, are entitled to claim the tax benefits for which they qualify under section 469.315 for the year in which the business subsidy agreement is signed and ten additional years.

(2) This paragraph does not apply to:

(i) any acreage designated as a job opportunity building zone for which any person has fully executed a business subsidy agreement before this paragraph became effective; or

(ii) any trade or business that relocates as defined in section 469.310, subdivision 12, and received benefits under section 463.315 prior to the relocation.

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

Sec. 18. Minnesota Statutes 2006, section 477A.013, subdivision 9, is amended to read:

Subd. 9. **City aid distribution.** (a) ~~In each~~ In each calendar year ~~2002 and thereafter~~, each city shall receive an aid distribution equal to the sum of (1) 50 percent of the sum of the city's formula aid under subdivision 8, and (2) its city aid base, each as computed under the laws applicable to aid distributed in the prior year but without the limits in paragraphs (b) through (d), and (2) 50 percent of the sum of the city's formula aid under subdivision 8, and its city aid base, each as computed under the laws applicable to aid to be distributed in the current year but without the limits in paragraphs (b) through (d).

~~(b) For aids payable in 2005 and thereafter, the total~~ The city aid distribution 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 and thereafter,~~

~~(c) The total city aid distribution~~ The city aid distribution for any city with a population of 2,500 or more may not decrease from its ~~total~~ aid distribution 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.



~~(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,~~

(d) The ~~total~~ aid distribution 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.

~~(d)~~ (e) If a city's net tax capacity used in calculating aid under this section has decreased in any year by more than 25 percent from its net tax capacity in the previous year due to property becoming tax-exempt Indian land, the city's maximum allowed aid increase under paragraph (b) shall be increased by an amount equal to (1) the city's tax rate in the year of the aid calculation, multiplied by (2) the amount of its net tax capacity decrease resulting from the property becoming tax exempt.

**EFFECTIVE DATE.** This section is effective for aid payable in 2008 and thereafter.

Sec. 19. Minnesota Statutes 2006, section 477A.013, is amended by adding a subdivision to read:

Subd. 11. **Use of revenues.** Beginning with aids payable in 2008, any city of over 100,000 population receiving additional aid under this section due to an increase in the appropriation over the amount appropriated for aid paid in 2007 must use the additional aid it receives to increase spending on police services and prosecutors in the city attorney's office above the level funded by the city in calendar year 2007.

**EFFECTIVE DATE.** This section is effective for aid payable in 2008 and thereafter.

Sec. 20. Minnesota Statutes 2006, 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, the total aids paid under section 477A.013, subdivision 9, are limited to \$437,052,000. For aids payable in 2006 and thereafter, The total aids paid under section 477A.013, subdivision 9, is each year are limited to \$485,052,000 \$495,052,000.~~

**EFFECTIVE DATE.** This section is effective for aid payable in 2008 and thereafter.

## ARTICLE 2

### FEDERAL UPDATE

Section 1. Minnesota Statutes 2006, 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 ~~May 18, 2006~~ December 31, 2006.

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

Sec. 2. Minnesota Statutes 2006, section 290.01, subdivision 19, as amended by Laws 2007, 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 Internal Revenue Code of 1986, as amended through ~~May 18, December 31, 2006~~, shall be in effect for taxable years beginning after December 31, 1996, ~~and before January 1, 2006, and for taxable years beginning after December 31, 2006.~~ The Internal Revenue Code of 1986, as amended through December 31, 2006, is in effect for taxable years beginning after December 31, 2005, and before January 1, 2007.

Except as otherwise provided, references to the Internal Revenue Code in subdivisions 19 to 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 2006, section 290.01, subdivision 31, as amended by Laws 2007, chapter 1, section 3, is amended to read:

Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, ~~for taxable years beginning before January 1, 2006, and after December 31, 2006,~~ "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through May 18, 2006; ~~and for taxable years beginning after December 31, 2005, and before January 1, 2007,~~ "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 2006.

**EFFECTIVE DATE.** This section is effective the day following final enactment except the changes incorporated by federal changes are effective at the same time as the changes were effective for federal purposes.

Sec. 4. Minnesota Statutes 2006, section 290A.03, subdivision 15, as amended by Laws 2007, chapter 1, section 4, is amended to read:

Subd. 15. **Internal Revenue Code.** ~~For taxable years beginning before January 1, 2006, and after December 31, 2006,~~ "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through May 18, 2006; ~~and for taxable years beginning after December 31, 2005, and before January 1, 2007,~~ "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 2006.

**EFFECTIVE DATE.** This section is effective for property tax refunds based on property taxes payable on or after December 31, 2006, and rent paid on or after December 31, 2005.

Sec. 5. Minnesota Statutes 2006, 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 ~~May 18, 2006~~ December 31, 2006.

(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 the day following final enactment.

Delete the title and insert:

"A bill for an act relating to taxation; providing for budget reserves; changing calculation of the school operating capital levy; changing the residential homestead market value credit; conforming certain tax provisions to changes in the Internal Revenue Code; excluding compensation and certain pension income for service in the armed forces; providing dairy investment and regional investment credits; increasing the maximum homeowners' property tax refunds; changing the income and franchise tax income apportionment formula; providing a direct sales tax exemption for small business and certain other capital equipment purchases; exempting certain transportation purchases from the sales tax; exempting certain sales of construction materials from the sales tax; extending the period of job opportunity building zone benefits in certain cases; changing certain aids to local governments;

amending Minnesota Statutes 2006, sections 16A.152, subdivisions 1b, 2; 126C.10, subdivision 13a; 273.1384, subdivision 1; 289A.02, subdivision 7; 290.01, subdivisions 19, as amended, 19b, 31, as amended; 290.06, by adding subdivisions; 290.091, subdivision 2; 290.191, subdivision 2; 290A.03, subdivision 15, as amended; 290A.04, subdivision 2; 291.005, subdivision 1; 297A.68, subdivision 5; 297A.70, subdivision 2; 297A.71, by adding subdivisions; 297A.75, subdivisions 1, 3; 469.312, subdivision 5; 477A.013, subdivision 9, by adding a subdivision; 477A.03, subdivision 2a."

Signed

ERIK PAULSEN  
DEAN SIMPSON  
KURT ZELLERS

Paulsen moved that the Minority Report on H. F. No. 2362 be substituted for the Majority Report and that the Minority Report be now adopted.

A roll call was requested and properly seconded.

The question was taken on the adoption of the Minority Report on H. F. No. 2362 and the roll was called. There were 51 yeas and 83 nays as follows:

Those who voted in the affirmative were:

Abeler	DeLaForest	Gottwalt	Kohls	Paulsen	Sviggum
Anderson, B.	Demmer	Gunther	Lanning	Peppin	Tingelstad
Anderson, S.	Dettmer	Hackbarth	Magnus	Peterson, N.	Urdahl
Beard	Eastlund	Hamilton	Masin	Ruth	Wardlow
Berns	Emmer	Hansen	McFarlane	Seifert	Westrom
Brod	Erhardt	Heidgerken	McNamara	Severson	Zellers
Buesgens	Erickson	Holberg	Nornes	Shimanski	
Cornish	Finstad	Hoppe	Olson	Simpson	
Dean	Garofalo	Howes	Ozment	Smith	

Those who voted in the negative were:

Anzelc	Doty	Jaros	Loeffler	Otremba	Solberg
Atkins	Eken	Johnson	Madore	Paymar	Swails
Benson	Faust	Juhnke	Mahoney	Pelowski	Thao
Bigham	Fritz	Kahn	Mariani	Peterson, A.	Thissen
Bly	Gardner	Kalin	Marquart	Peterson, S.	Tillberry
Brown	Greiling	Knuth	Moe	Poppe	Tschumper
Brynaert	Hausman	Koenen	Morgan	Rukavina	Wagenius
Bunn	Haws	Kranz	Morrow	Ruud	Walker
Carlson	Hilstrom	Laine	Mullery	Sailer	Ward
Clark	Hilty	Lenczewski	Murphy, E.	Scalze	Welti
Davnie	Hornstein	Lesch	Murphy, M.	Sertich	Winkler
Dill	Hortman	Liebling	Nelson	Simon	Wollschlager
Dittrich	Hosch	Lieder	Norton	Slawik	Spk. Kelliher
Dominguez	Huntley	Lillie	Olin	Slocum	

The motion did not prevail and the Minority Report on H. F. No. 2362 was not adopted.

The question recurred on the adoption of the Majority Report from the Committee on Taxes relating to H. F. No. 2362.

A roll call was requested and properly seconded.

The question was taken on the adoption of the Majority Report from the Committee on Taxes relating to H. F. No. 2362 and the roll was called. There were 74 yeas and 60 nays as follows:

Those who voted in the affirmative were:

Anzelc	Faust	Juhnke	Mahoney	Pelowski	Thissen
Atkins	Fritz	Kahn	Mariani	Peterson, A.	Tillberry
Bigham	Greiling	Knuth	Marquart	Peterson, S.	Tschumper
Bly	Hansen	Koenen	Masin	Poppe	Wagenius
Brynaert	Hausman	Kranz	Moe	Rukavina	Walker
Carlson	Hilstrom	Laine	Morrow	Sailer	Ward
Clark	Hilty	Lenczewski	Mullery	Scalze	Winkler
Davnie	Hornstein	Lesch	Murphy, E.	Sertich	Wollschlager
Dill	Hortman	Liebling	Murphy, M.	Simon	Spk. Kelliher
Dittrich	Hosch	Lieder	Nelson	Slawik	
Dominguez	Huntley	Lillie	Olin	Slocum	
Doty	Jaros	Loeffler	Otremba	Solberg	
Eken	Johnson	Madore	Paymar	Thao	

Those who voted in the negative were:

Abeler	Cornish	Gardner	Howes	Olson	Simpson
Anderson, B.	Dean	Garofalo	Kalin	Ozment	Smith
Anderson, S.	DeLaForest	Gottwalt	Kohls	Paulsen	Sviggum
Beard	Demmer	Gunther	Lanning	Peppin	Swails
Benson	Dettmer	Hackbarth	Magnus	Peterson, N.	Tingelstad
Berns	Eastlund	Hamilton	McFarlane	Ruth	Urdahl
Brod	Emmer	Haws	McNamara	Ruud	Wardlow
Brown	Erhardt	Heidgerken	Morgan	Seifert	Welti
Buesgens	Erickson	Holberg	Nornes	Severson	Westrom
Bunn	Finstad	Hoppe	Norton	Shimanski	Zellers

The Majority Report on H. F. No. 2362 was adopted.

Carlson from the Committee on Finance to which was referred:

S. F. No. 1073, A bill for an act relating to state government; ratifying certain labor agreements and compensation plans.

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

The report was adopted.

## **SECOND READING OF HOUSE BILLS**

H. F. No. 2245 was read for the second time.

## **SECOND READING OF SENATE BILLS**

S. F. Nos. 124, 875, 1218, 1262, 1271, 1405, 1533, 1556, 1724, 1920, 1966, 1998, 2161 and 1073 were read for the second time.

## **INTRODUCTION AND FIRST READING OF HOUSE BILLS**

The following House Files were introduced:

Brod introduced:

H. F. No. 2454, A bill for an act relating to traffic safety; expanding and protecting certain data items on the death certificates of decedents; providing surviving family members greater access to crashed vehicles; amending Minnesota Statutes 2006, sections 13.10, by adding a subdivision; 169.09, by adding a subdivision.

The bill was read for the first time and referred to the Transportation Finance Division.

Olin introduced:

H. F. No. 2455, A bill for an act relating to capital investment; authorizing spending to acquire and better public land and buildings and other improvements of a capital nature; authorizing the issuance of state bonds; appropriating money for a grant to the city of Warroad for public facilities.

The bill was read for the first time and referred to the Committee on Finance.

## **MESSAGES FROM THE SENATE**

The following message was received from the Senate:

Madam 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. 272, A bill for an act relating to the military and veterans; clarifying that a statute ensuring the continuation of state licenses and certificates of registration for any trade, employment, occupation, or profession while soldiers and certain essential employees are engaged in active military service applies to licenses and certificates of registration requiring firearms and use of force training; amending Minnesota Statutes 2006, section 326.56, subdivision 2.

PATRICE DWORAK, First Assistant Secretary of the Senate

Haws moved that the House refuse to concur in the Senate amendments to H. F. No. 272, that the Speaker appoint a Conference Committee of 3 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.

### **CALENDAR FOR THE DAY**

Sertich moved that the Calendar for the Day be continued. The motion prevailed.

### **MOTIONS AND RESOLUTIONS**

Sertich moved that the names of Hansen, Ozment and Atkins be added as authors on H. F. No. 464. The motion prevailed.

Hortman moved that the name of Knuth be added as an author on H. F. No. 1602. The motion prevailed.

### **ADJOURNMENT**

Sertich moved that when the House adjourns today it adjourn until 9:00 a.m., Thursday, April 26, 2007. The motion prevailed.

Sertich moved that the House adjourn. The motion prevailed, and the Speaker declared the House stands adjourned until 9:00 a.m., Thursday, April 26, 2007.

ALBIN A. MATHIOWETZ, Chief Clerk, House of Representatives

