.... moves to amend H.F. No. 848 as follows:

Delete everything after the enacting clause and insert:

"**ARTICLE 1**

INCOME AND FRANCHISE TAXES

Section 1. **[16A.728] LONG-TERM CARE SAVINGS PLAN.**

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

(b) "Long-term care expense" means the cost of long-term care in a long-term care facility and the cost of care provided in a person's home when the person receiving the care is unable to perform multiple basic life functions independently.

(c) "Long-term care insurance premiums" means premiums paid for a long-term care insurance policy, as defined in section 290.0672.

(d) "Participant" means an individual who has entered into a participation agreement or established an account under the plan with a financial institution with which the commissioner has an agreement under subdivision 2, paragraph (a).

(e) "Qualified individual" means a person who:

(1) incurred long-term care expenses during the taxable year; or

(2) turned 50 years of age or older during the taxable year and who made payments for long-term care insurance premiums during the taxable year.

Subd. 2. **Commissioner duties; participation agreement.** (a) The Minnesota long-term care savings plan is created. The commissioner shall select the administrator of the plan. If the commissioner receives no acceptable responses to a request for proposals for an administrator for the plan by November 1, 2015, the commissioner may enter into agreements with state chartered or federally chartered banks, savings banks, savings associations, trust companies, or credit unions, or a subsidiary of such an entity, to receive contributions in the form of account deposits. The commissioner may adopt and promulgate rules and regulations to carry out the duties under this subdivision.

(b) If an administrator is selected, participants must enter into participation agreements with the commissioner, and if an administrator is not selected, participants may make contributions to an account with a financial institution with which the commissioner has an agreement under paragraph (a). A lifetime maximum of $200,000 may be contributed by a participant. The commissioner must adjust the dollar limitation annually for inflation as provided in section 151 of the Internal Revenue Code of 1986, as amended.

(c) Each participation agreement must provide that the agreement may be canceled or transferred to a spouse upon the terms and conditions set by the commissioner. If the participation agreement is canceled or the Minnesota long-term care savings plan is terminated, a participant may receive the principal amount of all contributions made by the participant or on behalf of the participant plus the actual investment earnings on the contributions, less any losses incurred on the contributions. A participant must not receive more than the fair market value of the account under the participation agreement on the applicable liquidation date.

(d) A participant retains ownership of all contributions up to the date of use.

(e) State income tax treatment of contributions and investment earnings is as provided in section 290.01, subdivisions 19a and 19b.

Subd. 3. **Long-term care savings plan trust.** If an administrator for the Minnesota long-term care savings plan is selected under subdivision 2, the Minnesota long-term care savings plan trust is created. The commissioner is the trustee of the trust and is responsible for the administration, operation, and maintenance of the plan and has all the powers necessary to carry out and effectuate the purposes, objectives, and provisions of the Minnesota long-term care savings plan for the administration, operation, and maintenance of the trust, except that the investment officer has fiduciary responsibility to make all decisions regarding the investment of the money in the trust, including the selection of all investment options and the approval of all fees and other costs charged to trust assets, except costs for administration, operation, and maintenance of the trust, under the directions, guidelines, and policies established by the State Board of Investment. The commissioner may adopt and promulgate rules for the efficient administration, operation, and maintenance of the trust. The commissioner must not adopt and promulgate rules and regulations that in any way interfere with the fiduciary responsibility of the state investment officer to make all decisions regarding the investment of money in the trust. The State Board of Investment may adopt and promulgate rules and regulations to provide for the prudent investment of the assets of the trust. The State Board of Investment or its designee may select and enter into agreements with individuals and entities to provide investment advice and management of the assets held by the trust, establish investment guidelines, objectives, and performance standards for the assets held by the trust, and approve any fees, commissions, and expenses which directly or indirectly affect the return on assets.

Subd. 4. **Authorized withdrawals.** A qualified individual may make withdrawals as a participant in the Minnesota long-term care savings plan to pay or reimburse long-term care expenses or long-term care insurance premiums. Any participant who is not a qualified individual or who makes a withdrawal for any reason other than a transfer of funds to a spouse, payment of long-term care expenses or long-term care insurance premiums, or the death of the participant is subject to a ten percent penalty on the amount withdrawn. The commissioner shall collect the penalty.

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

Sec. 2. Minnesota Statutes 2014, section 62V.05, subdivision 5, is amended to read:

Subd. 5. **Health carrier and health plan requirements; participation.** (a) Beginning January 1, 2015, the board may establish certification requirements for health carriers and health plans to be offered through MNsure that satisfy federal requirements under section 1311(c)(1) of the Affordable Care Act, Public Law 111-148.

(b) Paragraph (a) does not apply if by June 1, 2013, the legislature enacts regulatory requirements that:

(1) apply uniformly to all health carriers and health plans in the individual market;

(2) apply uniformly to all health carriers and health plans in the small group market; and

(3) satisfy minimum federal certification requirements under section 1311(c)(1) of the Affordable Care Act, Public Law 111-148.

(c) In accordance with section 1311(e) of the Affordable Care Act, Public Law 111-148, the board shall establish policies and procedures for certification and selection of health plans to be offered as qualified health plans through MNsure. The board shall certify and select a health plan as a qualified health plan to be offered through MNsure, if:

(1) the health plan meets the minimum certification requirements established in paragraph (a) or the market regulatory requirements in paragraph (b);

(2) the board determines that making the health plan available through MNsure is in the interest of qualified individuals and qualified employers;

(3) the health carrier applying to offer the health plan through MNsure also applies to offer health plans at each actuarial value level and service area that the health carrier currently offers in the individual and small group markets; and

(4) the health carrier does not apply to offer health plans in the individual and small group markets through MNsure under a separate license of a parent organization or holding company under section 60D.15, that is different from what the health carrier offers in the individual and small group markets outside MNsure.

(d) In determining the interests of qualified individuals and employers under paragraph (c), clause (2), the board may not exclude a health plan for any reason specified under section 1311(e)(1)(B) of the Affordable Care Act, Public Law 111-148. The board may consider:

(1) affordability;

(2) quality and value of health plans;

(3) promotion of prevention and wellness;

(4) promotion of initiatives to reduce health disparities;

(5) market stability and adverse selection;

(6) meaningful choices and access;

(7) alignment and coordination with state agency and private sector purchasing strategies and payment reform efforts; and

(8) other criteria that the board determines appropriate.

(e) For qualified health plans offered through MNsure on or after January 1, 2015, the board shall establish policies and procedures under paragraphs (c) and (d) for selection of health plans to be offered as qualified health plans through MNsure by February 1 of each year, beginning February 1, 2014. The board shall consistently and uniformly apply all policies and procedures and any requirements, standards, or criteria to all health carriers and health plans. For any policies, procedures, requirements, standards, or criteria that are defined as rules under section 14.02, subdivision 4, the board may use the process described in subdivision 9.

(f) For 2014, the board shall not have the power to select health carriers and health plans for participation in MNsure. The board shall permit all health plans that meet the certification requirements under section 1311(c)(1) of the Affordable Care Act, Public Law 111-148, to be offered through MNsure.

(g) Under this subdivision, the board shall have the power to verify that health carriers and health plans are properly certified to be eligible for participation in MNsure.

(h) The board has the authority to decertify health carriers and health plans that fail to maintain compliance with section 1311(c)(1) of the Affordable Care Act, Public Law 111-148.

(i) For qualified health plans offered through MNsure beginning January 1, 2015, health carriers must use the most current addendum for Indian health care providers approved by the Centers for Medicare and Medicaid Services and the tribes as part of their contracts with Indian health care providers. MNsure shall comply with all future changes in federal law with regard to health coverage for the tribes.

(j) Health carriers offering coverage through MNsure shall provide a premium advance to qualified individuals eligible for a state tax credit under section 290.0661, equal to the amount of the tax credit calculated under that section. Individuals receiving a premium advance under this paragraph must pay to the health carrier the full amount of the premium advance by April 15 of the year following the coverage year for which the premium advance was provided. The MNsure eligibility system must automatically notify health carriers:

(1) if an enrollee is eligible for a state tax credit under section 290.0661; and

(2) the amount of the applicable state tax credit.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2015.

Sec. 3. Minnesota Statutes 2014, section 116J.8737, subdivision 5, is amended to read:

Subd. 5. **Credit allowed.** (a)(1) A qualified investor or qualified fund is eligible for a credit equal to 25 percent of the qualified investment in a qualified small business. Investments made by a pass-through entity qualify for a credit only if the entity is a qualified fund. The commissioner must not allocate more than $15,000,000 in credits to qualified investors or qualified funds for taxable years beginning after December 31, 2013, and before January 1, ~~2017~~ 2015, and must not allocate more than $18,000,000 in credits to qualified investors or qualified funds for taxable years beginning after December 31, 2014, and before January 1, 2019; and

(2) for taxable years beginning after December 31, 2014, and before January 1, 2017, ~~$7,500,000~~ 50 percent of the amount available for the taxable year must be allocated to credits for qualifying investments in qualified greater Minnesota businesses and minority- or women-owned qualified small businesses in Minnesota. Any portion of a taxable year's credits that is reserved for qualifying investments in greater Minnesota businesses and minority- or women-owned qualified small businesses in Minnesota that is not allocated by September 30 of the taxable year is available for allocation to other credit applications beginning on October 1. Any portion of a taxable year's credits that is not allocated by the commissioner does not cancel and may be carried forward to subsequent taxable years until all credits have been allocated.

(b) The commissioner may not allocate more than a total maximum amount in credits for a taxable year to a qualified investor for the investor's cumulative qualified investments as an individual qualified investor and as an investor in a qualified fund; for married couples filing joint returns the maximum is $250,000, and for all other filers the maximum is $125,000. The commissioner may not allocate more than a total of $1,000,000 in credits over all taxable years for qualified investments in any one qualified small business.

(c) The commissioner may not allocate a credit to a qualified investor either as an individual qualified investor or as an investor in a qualified fund if, at the time the investment is proposed:

(1) the investor is an officer or principal of the qualified small business; or

(2) the investor, either individually or in combination with one or more members of the investor's family, owns, controls, or holds the power to vote 20 percent or more of the outstanding securities of the qualified small business.

A member of the family of an individual disqualified by this paragraph is not eligible for a credit under this section. For a married couple filing a joint return, the limitations in this paragraph apply collectively to the investor and spouse. For purposes of determining the ownership interest of an investor under this paragraph, the rules under section 267(c) and 267(e) of the Internal Revenue Code apply.

(d) Applications for tax credits for 2010 must be made available on the department's Web site by September 1, 2010, and the department must begin accepting applications by September 1, 2010. Applications for subsequent years must be made available by November 1 of the preceding year.

(e) Qualified investors and qualified funds must apply to the commissioner for tax credits. Tax credits must be allocated to qualified investors or qualified funds in the order that the tax credit request applications are filed with the department. The commissioner must approve or reject tax credit request applications within 15 days of receiving the application. The investment specified in the application must be made within 60 days of the allocation of the credits. If the investment is not made within 60 days, the credit allocation is canceled and available for reallocation. A qualified investor or qualified fund that fails to invest as specified in the application, within 60 days of allocation of the credits, must notify the commissioner of the failure to invest within five business days of the expiration of the 60-day investment period.

(f) All tax credit request applications filed with the department on the same day must be treated as having been filed contemporaneously. If two or more qualified investors or qualified funds file tax credit request applications on the same day, and the aggregate amount of credit allocation claims exceeds the aggregate limit of credits under this section or the lesser amount of credits that remain unallocated on that day, then the credits must be allocated among the qualified investors or qualified funds who filed on that day on a pro rata basis with respect to the amounts claimed. The pro rata allocation for any one qualified investor or qualified fund is the product obtained by multiplying a fraction, the numerator of which is the amount of the credit allocation claim filed on behalf of a qualified investor and the denominator of which is the total of all credit allocation claims filed on behalf of all applicants on that day, by the amount of credits that remain unallocated on that day for the taxable year.

(g) A qualified investor or qualified fund, or a qualified small business acting on their behalf, must notify the commissioner when an investment for which credits were allocated has been made, and the taxable year in which the investment was made. A qualified fund must also provide the commissioner with a statement indicating the amount invested by each investor in the qualified fund based on each investor's share of the assets of the qualified fund at the time of the qualified investment. After receiving notification that the investment was made, the commissioner must issue credit certificates for the taxable year in which the investment was made to the qualified investor or, for an investment made by a qualified fund, to each qualified investor who is an investor in the fund. The certificate must state that the credit is subject to revocation if the qualified investor or qualified fund does not hold the investment in the qualified small business for at least three years, consisting of the calendar year in which the investment was made and the two following years. The three-year holding period does not apply if:

(1) the investment by the qualified investor or qualified fund becomes worthless before the end of the three-year period;

(2) 80 percent or more of the assets of the qualified small business is sold before the end of the three-year period;

(3) the qualified small business is sold before the end of the three-year period;

(4) the qualified small business's common stock begins trading on a public exchange before the end of the three-year period; or

(5) the qualified investor dies before the end of the three-year period.

(h) The commissioner must notify the commissioner of revenue of credit certificates issued under this section.

EFFECTIVE DATE. This section is effective the day following final enactment for taxable years beginning after December 31, 2014.

Sec. 4. **[116J.8739] TECHNOLOGY CORPORATE TAX BENEFIT REFUND PROGRAM.**

Subdivision 1. **Program established.** The commissioner shall establish a corporate tax benefit refund program to allow new or expanding technology and biotechnology companies in this state with unused net operating loss carryovers under section 290.095 to surrender those tax benefits for refunds. The refunds must be used to assist in the funding of costs incurred by the new or expanding technology and biotechnology company.

Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Biotechnology" means the continually expanding body of fundamental knowledge about the functioning of biological systems from the macro level to the molecular and subatomic levels, as well as novel products, services, technologies, and subtechnologies developed as a result of insights gained from research advances that add to that body of fundamental knowledge.

(c) "Biotechnology company" means an corporation that:

(1) has its headquarters or base of operations in this state;

(2) owns, has filed for, or has a valid license to use protected, proprietary intellectual property; and

(3) is engaged in the research, development, production, or provision of biotechnology to develop or provide products or processes for specific commercial or public purposes including, but not limited to, medical, pharmaceutical, nutritional, and other health-related purposes, agricultural purposes, and environmental purposes.

(d) "Full-time employee" means a person employed by a new or expanding technology or biotechnology company for consideration for at least 35 hours per week, or who renders any other standard of service generally accepted by custom or practice as full-time employment and whose wages are subject to withholding under section 290.92; or who is a partner of a new or expanding technology or biotechnology company who works for the partnership for at least 35 hours per week, or who renders any other standard of service generally accepted by custom or practice as full-time employment, and whose distributive share of income, gain, loss, or deduction, or whose guaranteed payments, or any combination of them, is subject to the payment of estimated taxes, under section 289A.25. To qualify as a full-time employee, an employee must also receive from the new or expanding technology or biotechnology company group health benefits under a health plan as defined under section 62A.011, subdivision 3, or under a self-insured employee welfare benefit plan as defined in United States Code, title 29, section 1002. Full-time employee excludes any person who works as an independent contractor or on a consulting basis for the new or expanding technology or biotechnology company.

(e) "New or expanding" means a technology or biotechnology company that:

(1) on June 30 of the year in which the corporation files an application for surrender of tax benefits under this section and on the date of the grant of the corporate tax benefit certificate, has fewer than 250 employees in the United States;

(2) on June 30 of the year in which the corporation files the application, has at least one full-time employee working in this state if the company has been incorporated for less than three years, has at least five full-time employees working in this state if the company has been incorporated for more than three years but fewer than five years, and has at least ten full-time employees working in this state if the company has been incorporated for more than five years; and

(3) on the date of the grant of the corporate tax benefit certificate, the corporation has the number of full-time employees in this state required by clause (2).

(f) "Technology company" means a corporation that:

(1) has its headquarters or base of operations in this state;

(2) owns, has filed for, or has a valid license to use protected, proprietary intellectual property; and

(3) employs some combination of the following: highly educated or trained managers and workers, or both, employed in this state who use sophisticated scientific research service or production equipment, processes, or knowledge to discover, develop, test, transfer, or manufacture a product or service.

Subd. 3. **Allocation of tax benefits; annual limit.** (a) The commissioner, in cooperation with the commissioner of revenue, shall review and approve applications by new or expanding technology and biotechnology companies with unused but otherwise allowable net operating loss carryovers under section 290.095 to surrender those tax benefits for the grant of a refund. The amount of the qualifying tax benefit is the amount of the net operating loss carryover multiplied by the new or expanding technology or biotechnology company's anticipated apportionment percentage, as determined under section 290.191, for the taxable year in which the benefit is surrendered and then multiplied by the corporate franchise tax rate under section 290.06, subdivision 1.

(b) The commissioner must approve the grant of no more than $15,000,000 of tax benefit refunds in each fiscal year. If the total amount of tax benefits requested to be surrendered by approved applicants exceeds $15,000,000 for a fiscal year, the commissioner, in cooperation with the commissioner of revenue, must not approve the grant of more than $15,000,000 of tax benefits for that fiscal year and shall allocate the grant of tax benefit refunds by approved corporations using the following method:

(1) an eligible applicant with $250,000 or less of qualifying tax benefits may surrender the entire amount of its tax benefits;

(2) an eligible applicant with more than $250,000 of qualifying tax benefits may surrender a minimum of $250,000 of its tax benefits; and

(3) an eligible applicant with more than $250,000 of qualifying tax benefits may surrender additional tax benefits determined by multiplying the applicant's tax benefits, less the minimum tax benefits that corporation is authorized to surrender under clause (2), by a fraction, the numerator of which is the total amount of tax benefit grants that the commissioner is authorized to approve less the total amount of tax benefits approved under clauses (1) and (2), and the denominator of which is the total amount of tax benefits requested to be surrendered by all eligible applicants less the total amount of tax benefit grants approved under clauses (1) and (2).

(c) If the total amount of tax benefit grants that would be authorized using the method under paragraph (b) exceeds $15,000,000 for a fiscal year, then the commissioner, in cooperation with the commissioner of revenue, shall limit the total amount of tax benefit grants authorized to $15,000,000 by applying the above method on an apportioned basis.

Subd. 4. **Qualifying tax benefits and corporations.** (a) For purposes of this section, qualifying tax benefits include an eligible applicant's unused but otherwise allowable carryover of net operating losses multiplied by the applicant's anticipated allocation factor as determined under section 290.191 for the taxable year in which the benefit is surrendered and subsequently multiplied by the corporation franchise tax rate under section 290.06, subdivision 1. An eligible applicant's qualifying tax benefits are limited to net operating losses that the applicant requests to surrender in its application to the authority and must not, in total, exceed the maximum amount of tax benefits that the applicant is eligible to surrender. No application for a corporate tax benefit certificate must be approved in which the new or expanding technology or biotechnology company:

(1) has demonstrated positive net operating income in any of the two previous full years of ongoing operations as determined on its financial statements issued according to generally accepted accounting standards endorsed by the Financial Accounting Standards Board; or

(2) is directly or indirectly at least 50 percent owned or controlled by another corporation that has demonstrated positive net operating income in any of the two previous full years of ongoing operations as determined on its financial statements issued according to generally accepted accounting standards endorsed by the Financial Accounting Standards Board or is part of a consolidated group of affiliated corporations, as filed for federal income tax purposes, that in the aggregate has demonstrated positive net operating income in any of the two previous full years of ongoing operations as determined on

its combined financial statements issued according to generally accepted accounting standards endorsed by the Financial Accounting Standards Board.

(b) The maximum lifetime value of surrendered tax benefits that a corporation may surrender under the program is $5,000,000.

Subd. 5. **Recapture of tax benefits.** The commissioner, in consultation with the commissioner of revenue, shall establish procedures for the recapture of all of, or a portion of, the amount of a grant of a corporate tax benefit certificate from the new or expanding technology or biotechnology company receiving a grant for a refund of surrendered tax benefits under this section if the taxpayer fails to use the refund as required by this section or fails to maintain a headquarters or a base of operation in this state during the five years following receipt of the refund, except if the failure to maintain a headquarters or a base of operation in this state is due to the liquidation of the new or expanding technology or biotechnology company.

Subd. 6. **Approval of acquisition of tax benefits; purposes; required agreement.** (a) The commissioner must not issue a corporate tax benefit certificate unless the applicant certifies that as of the date of the grant of the certificate that it is operating as a new or expanding technology or biotechnology company in this state and does not intend to cease operating as a new or expanding technology or biotechnology company in this state.

(b) The recipient of a grant under this section must use the refund to pay expenses incurred for the operation of the new or expanding technology or biotechnology company in this state including, but not limited to, the expenses of fixed assets, such as the construction and acquisition and development of real estate, materials, start-up, tenant fit-out, working capital, salaries, research and development expenditures, and any other expenses determined by the commissioner to be necessary to carry out technology or biotechnology company operations in this state.

(c) The commissioner shall enter into a written agreement with the new or expanding technology or biotechnology company specifying the terms and conditions of the grant of the certificate of tax benefits. The written agreement may require the maintenance by the new or expanding technology or biotechnology company of a headquarters or a base of operation in this state.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to taxable years beginning after December 31, 2015.

Sec. 5. Minnesota Statutes 2014, section 289A.02, subdivision 7, as amended by Laws 2015, chapter 1, section 1, is amended to read:

Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December 31, 2014~~ April 1, 2015.

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

Sec. 6. Minnesota Statutes 2014, section 289A.12, is amended by adding a subdivision to read:

Subd. 19. **Charity health care services.** (a) A medical professional, dentist, or chiropractor claiming the subtraction under section 290.01, subdivision 19b, clause (23), must file an informational report with the commissioner documenting the value of charity health care services that the individual provided during the taxable year. A business that employs a medical professional, dentist, or chiropractor may also file an informational report with the commissioner documenting the value of charity health care services its employees provided during the taxable year. The charity health care services reported to the commissioner must be limited to those services covered under medical assistance and for which a federal Medicaid match is available and must be calculated at the reimbursement rates provided in section 256B.76.

(b) For purposes of this subdivision, the following terms have the meanings given:

(1) "chiropractor" means an individual licensed under chapter 148;

(2) "dentist" means an individual licensed under chapter 150A; and

(3) "medical professional" means an individual licensed under chapter 147, an individual licensed under chapter 147B, and a mental health professional as defined under section 245.462, subdivision 18, or section 245.4871, subdivision 27.

(c) The commissioner shall define charity health care services for purposes of this subdivision. In developing this definition, the commissioner shall consider the criteria specified in Minnesota Rules, part 4650.0115, subpart 2.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2015.

Sec. 7. Minnesota Statutes 2014, section 290.01, subdivision 7, is amended to read:

Subd. 7. **Resident.** (a) The term "resident" means any individual domiciled in Minnesota, except that an individual is not a "resident" for the period of time that the individual is a "qualified individual" as defined in section 911(d)(1) of the Internal Revenue Code, if the qualified individual notifies the county within three months of moving out of the country that homestead status be revoked for the Minnesota residence of the qualified individual, and the property is not classified as a homestead while the individual remains a qualified individual.

(b) "Resident" also means any individual domiciled outside the state who maintains a place of abode in the state and spends in the aggregate more than one-half of the tax year in Minnesota, unless:

(1) the individual or the spouse of the individual is in the armed forces of the United States; or

(2) the individual is covered under the reciprocity provisions in section 290.081.

For purposes of this subdivision, presence within the state for any part of a calendar day constitutes a day spent in the state, except that a day spent in Minnesota for the primary purpose of receiving medical treatment by the taxpayer, or the spouse, child, or parent of the taxpayer, is not treated as a day spent in Minnesota. "Medical treatment" means treatment as defined in section 213(d)(1)(A) of the Internal Revenue Code. Individuals shall keep adequate records to substantiate the days spent outside the state.

The term "abode" means a dwelling maintained by an individual, whether or not owned by the individual and whether or not occupied by the individual, and includes a dwelling place owned or leased by the individual's spouse.

(c) In determining where an individual is domiciled, neither the commissioner nor any court shall consider:

(1) charitable contributions made by ~~an~~ the individual within or without the state ~~in determining if the individual is domiciled in Minnesota.~~;

(2) the location of the individual's attorney, certified public accountant, or financial advisor; or

(3) the place of business of a financial institution at which the individual applies for any new type of credit or at which the individual opens or maintains any type of account.

(d) For purposes of this subdivision, the following terms have the meanings given them:

(1) "financial advisor" means a financial institution or an individual engaged in business as a certified financial planner, registered investment advisor, licensed insurance agent, or securities broker-dealer; and

(2) "financial institution" means a financial institution as defined in section 47.015, subdivision 1; a state or nationally chartered credit union; or a registered broker-dealer under the Securities and Exchange Act of 1934.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 8. Minnesota Statutes 2014, section 290.01, subdivision 19, as amended by Laws 2015, chapter 1, section 2, 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 ~~December 31, 2014~~ April 1, 2015, shall be in effect for taxable years beginning after December 31, 1996.

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 retroactively for taxable years beginning after December 31, 2013.

Sec. 9. Minnesota Statutes 2014, section 290.01, subdivision 19a, is amended to read:

Subd. 19a. **Additions to federal taxable income.** For individuals, estates, and trusts, there shall be added to federal taxable income:

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

(ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, except:

(A) the portion of the exempt-interest dividends exempt from state taxation under the laws of the United States; and

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

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

(2) the amount of income, sales and use, motor vehicle sales, or excise taxes paid or accrued within the taxable year under this chapter and the amount of taxes based on net income paid, sales and use, motor vehicle sales, or excise taxes paid to any other state or to any province or territory of Canada, to the extent allowed as a deduction under section 63(d) of the Internal Revenue Code, but the addition may not be more than the amount by which the state itemized deduction exceeds the amount of the standard deduction as defined in section 63(c) of the Internal Revenue Code, minus any addition that would have been required under clause (17) if the taxpayer had claimed the standard deduction. For the purpose of this clause, income, sales and use, motor vehicle sales, or excise taxes are the last itemized deductions disallowed under clause (15);

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

(4) the amount of income taxes paid or accrued within the taxable year under this chapter and taxes based on net income paid to any other state or any province or territory of Canada, to the extent allowed as a deduction in determining federal adjusted gross

income. For the purpose of this paragraph, income taxes do not include the taxes imposed by sections 290.0922, subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

(5) the amount of expense, interest, or taxes disallowed pursuant to section 290.10 other than expenses or interest used in computing net interest income for the subtraction allowed under subdivision 19b, clause (1);

(6) the amount of a partner's pro rata share of net income which does not flow through to the partner because the partnership elected to pay the tax on the income under section 6242(a)(2) of the Internal Revenue Code;

(7) 80 percent of the depreciation deduction allowed under section 168(k) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k) is allowed;

(8) 80 percent of the amount by which the deduction allowed by section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended through December 31, 2003;

(9) to the extent deducted in computing federal taxable income, the amount of the deduction allowable under section 199 of the Internal Revenue Code;

(10) the amount of expenses disallowed under section 290.10, subdivision 2;

(11) for taxable years beginning before January 1, 2010, the amount deducted for qualified tuition and related expenses under section 222 of the Internal Revenue Code, to the extent deducted from gross income;

(12) for taxable years beginning before January 1, 2010, the amount deducted for certain expenses of elementary and secondary school teachers under section 62(a)(2)(D) of the Internal Revenue Code, to the extent deducted from gross income;

(13) discharge of indebtedness income resulting from reacquisition of business indebtedness and deferred under section 108(i) of the Internal Revenue Code;

(14) changes to federal taxable income attributable to a net operating loss that the taxpayer elected to carry back for more than two years for federal purposes but for which the losses can be carried back for only two years under section 290.095, subdivision 11, paragraph (c);

(15) the amount of disallowed itemized deductions, but the amount of disallowed itemized deductions plus the addition required under clause (2) may not be more than the amount by which the itemized deductions as allowed under section 63(d) of the Internal Revenue Code exceeds the amount of the standard deduction as defined in section 63(c) of the Internal Revenue Code, and reduced by any addition that would have been required under clause (17) if the taxpayer had claimed the standard deduction:

(i) the amount of disallowed itemized deductions is equal to the lesser of:

(A) three percent of the excess of the taxpayer's federal adjusted gross income over the applicable amount; or

(B) 80 percent of the amount of the itemized deductions otherwise allowable to the taxpayer under the Internal Revenue Code for the taxable year;

(ii) the term "applicable amount" means $100,000, or $50,000 in the case of a married individual filing a separate return. Each dollar amount shall be increased by an amount equal to:

(A) such dollar amount, multiplied by

(B) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue Code for the calendar year in which the taxable year begins, by substituting "calendar year 1990" for "calendar year 1992" in subparagraph (B) thereof;

(iii) the term "itemized deductions" does not include:

(A) the deduction for medical expenses under section 213 of the Internal Revenue Code;

(B) any deduction for investment interest as defined in section 163(d) of the Internal Revenue Code; and

(C) the deduction under section 165(a) of the Internal Revenue Code for casualty or theft losses described in paragraph (2) or (3) of section 165(c) of the Internal Revenue Code or for losses described in section 165(d) of the Internal Revenue Code;

(16) the amount of disallowed personal exemptions for taxpayers with federal adjusted gross income over the threshold amount:

(i) the disallowed personal exemption amount is equal to the number of personal exemptions allowed under section 151(b) and (c) of the Internal Revenue Code multiplied by the dollar amount for personal exemptions under section 151(d)(1) and (2) of the Internal Revenue Code, as adjusted for inflation by section 151(d)(4) of the Internal Revenue Code, and by the applicable percentage;

(ii) "applicable percentage" means two percentage points for each $2,500 (or fraction thereof) by which the taxpayer's federal adjusted gross income for the taxable year exceeds the threshold amount. In the case of a married individual filing a separate return, the preceding sentence shall be applied by substituting "$1,250" for "$2,500." In no event shall the applicable percentage exceed 100 percent;

(iii) the term "threshold amount" means:

(A) $150,000 in the case of a joint return or a surviving spouse;

(B) $125,000 in the case of a head of a household;

(C) $100,000 in the case of an individual who is not married and who is not a surviving spouse or head of a household; and

(D) $75,000 in the case of a married individual filing a separate return; and

(iv) the thresholds shall be increased by an amount equal to:

(A) such dollar amount, multiplied by

(B) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue Code for the calendar year in which the taxable year begins, by substituting "calendar year 1990" for "calendar year 1992" in subparagraph (B) thereof; ~~and~~

(17) to the extent deducted in the computation of federal taxable income, for taxable years beginning after December 31, 2010, and before January 1, 2014, the difference between the standard deduction allowed under section 63(c) of the Internal Revenue Code and the standard deduction allowed for 2011, 2012, and 2013 under the Internal Revenue Code as amended through December 1, 2010~~.~~; and

(18) the amount withdrawn by a participant in the Minnesota long-term care savings plan under section 16A.128 by a person who is not a qualified individual or for any reason other than a transfer of funds to a spouse, payment of long-term care expenses or long-term care insurance premiums, or the death of the participant, including withdrawals made by reason of cancellation of the participation agreement or termination of the plan.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 10. Minnesota Statutes 2014, 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, and amounts used to claim the credit under section 290.067, not to exceed ~~$1,625~~ $2,500 for each qualifying child in ~~grades~~ a prekindergarten educational program or in kindergarten ~~to~~ through grade 6 and ~~$2,500~~ $3,750 for each qualifying child in grades 7 ~~to~~ through 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. No deduction is permitted for any expense the taxpayer incurred in using the taxpayer's or the qualifying child's vehicle to provide such transportation for a qualifying child~~ education-related expenses, as defined in section 290.0674, subdivision 1. 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; and "prekindergarten educational program" has the meaning given in section 290.0674, subdivision 1. The maximum amounts allowed for each qualifying child under this clause must be adjusted for inflation. The commissioner shall adjust the maximum amount by the percentage determined under the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "2014" is substituted for the word "1992." For 2016, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2014, to the 12 months ending on August 31, 2015, and in each subsequent year, from the 12 months ending August 31, 2014, to the 12 months ending on August 31 of the year preceding the taxable year. The amounts 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 subject to the Administrative Procedure Act in chapter 14, including section 14.386;

(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 or not deductible pursuant to section 408(d)(8)(E) of the Internal Revenue Code 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, under the provisions of Public Law 109-1 and Public Law 111-126;

(7) 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;

(8) 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 (12), 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 (12), 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;

(9) job opportunity building zone income as provided under section 469.316;

(10) 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, including 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); or (ii) federally funded state active service as defined in section 190.05, subdivision 5b, and "active service" includes service performed in accordance with section 190.08, subdivision 3;

(11) 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 under United States Code, title 10; or the authority of the United Nations;

(12) 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;

(13) ~~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 (13), 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 (13), 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~~ the section 179 expensing subtraction as provided under section 290.0803, subdivision 3;

(14) to the extent included in the federal taxable income of a nonresident of Minnesota, compensation paid to a service member as defined in United States Code, title 10, section 101(a)(5), for military service as defined in the Servicemembers Civil Relief Act, Public Law 108-189, section 101(2);

(15) 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;

(16) to the extent included in federal taxable income, discharge of indebtedness income resulting from reacquisition of business indebtedness included in federal taxable income under section 108(i) of the Internal Revenue Code. This subtraction applies only to the extent that the income was included in net income in a prior year as a result of the addition under subdivision 19a, clause (13);

(17) the amount of the net operating loss allowed under section 290.095, subdivision 11, paragraph (c);

(18) the amount of expenses not allowed for federal income tax purposes due to claiming the railroad track maintenance credit under section 45G(a) of the Internal Revenue Code;

(19) the amount of the limitation on itemized deductions under section 68(b) of the Internal Revenue Code;

(20) the amount of the phaseout of personal exemptions under section 151(d) of the Internal Revenue Code; ~~and~~

(21) to the extent included in federal taxable income, the amount of qualified transportation fringe benefits described in section 132(f)(1)(A) and (B) of the Internal Revenue Code. The subtraction is limited to the lesser of the amount of qualified transportation fringe benefits received in excess of the limitations under section 132(f)(2)(A) of the Internal Revenue Code for the year or the difference between the maximum qualified parking benefits excludable under section 132(f)(2)(B) of the Internal Revenue Code minus the amount of transit benefits excludable under section 132(f)(2)(A) of the Internal Revenue Code~~.~~;

(22) to the extent included in federal taxable income, an amount not to exceed $40 per employee per calendar month, provided that:

(i) for an individual, the subtraction equals the value of the use of an on-premises fitness facility provided by an employer to the individual, or the value of any fees, dues, or membership expenses paid by an employer on behalf of the individual to a fitness facility;

(ii) for an S corporation, sole proprietor, or partnership, the subtraction equals the value of any fees, dues, or membership expenses paid on behalf of its employees to a fitness facility;

(iii) the subtraction under this clause applies only if the use of on-premises fitness facilities or the payment of fees, dues, or membership expenses to a fitness facility are available on substantially the same terms to each member of a group of employees defined under a reasonable classification by the employer, but no classification may include only highly compensated employees, as defined under section 414(q) of the Internal Revenue Code, or any other group that includes only executives, directors, or other managerial employees;

(iv) the subtraction under this clause is only allowed to employers and employees for months in which the employee uses the fitness facility for the preservation, maintenance, encouragement, or development of physical fitness on at least eight days; and

(v) for purposes of this clause, "fitness facility" means a facility located in the state:

(A) that provides instruction in a program of physical exercise; offers facilities for the preservation, maintenance, encouragement, or development of physical fitness; or is the site of such a program of a state or local government;

(B) that is not a private club owned and operated by its members;

(C) that does not offer golf, hunting, sailing, or horseback riding facilities;

(D) whose fitness facility is not incidental to its overall function and purpose; and

(E) that is compliant with antidiscrimination laws under chapter 363A and applicable federal antidiscrimination laws;

(23) to the extent not deducted in computing federal taxable income, the value of charity health care services provided by a medical professional as defined under section 289A.12, subdivision 19, paragraph (b), clause (3), a dentist licensed under chapter 150A, or a chiropractor licensed under chapter 148, and acting within the scope of the individual's license. For the purposes of this clause, the value of charity health care services must be calculated at the applicable reimbursement rate provided under section 256B.76 for the medical professional, dentist, or chiropractor for services for which a federal Medicaid match is available;

(24) for an individual who receives compensation from a pension or other retirement pay from the federal government for service in the military, as computed under United States Code, title 10, sections 1401 to 1414, 1447 to 1455, or 12732 to 12733, $1,000 for each year or portion of a year of military service, up to a maximum of 20 years of military service and a maximum subtraction of $20,000. In the case of a married couple filing jointly, each spouse is eligible for this subtraction. The subtraction under this clause is not limited to the amount of compensation received from a pension or other retirement pay;

(25) to the extent included in federal taxable income, a percentage of Social Security benefits. For purposes of this clause, for the taxable year beginning after December 31, 2014, and before January 1, 2016, the percentage is 20 percent, and the percentage increases by 20 percentage points in each taxable year thereafter until the percentage of Social Security benefits allowed as a subtraction under this clause is 100 percent;

(26) the amount equal to the contributions made during the taxable year to a college savings plan account qualifying under section 529 of the Internal Revenue Code, not including amounts rolled over from other college savings plan accounts, and not to exceed $3,000 for married couples filing joint returns and $1,500 for all other filers. The subtraction must not include any amount used to claim the credit allowed under section 290.0684;

(27) to the extent not deducted in determining federal taxable income, an amount equal to contributions made to the Minnesota long-term care savings plan under section 16A.728, up to a maximum of $2,000 for married individuals filing joint returns and

$1,000 for any other individual, and any investment earnings made as a participant in the Minnesota long-term care savings plan; and

(28) for an individual who is a first responder, an amount equal to the sum of:

(i) $7.50 per day of deemed meal expenses for two days in each week during the taxable year that the eligible individual was on call for fewer than 21 hours; plus

(ii) $7.50 per day of deemed meal expenses for four days in each week during the taxable year that the eligible individual was on call for 21 or more hours.

For purposes of this clause, "first responder" means an individual who meets the definition of:

(A) ambulance service personnel in section 144E.001, subdivision 3a;

(B) an emergency medical responder in section 144E.001, subdivision 6;

(C) a volunteer ambulance attendant in section 144E.001, subdivision 15;

(D) a full-time firefighter in section 299N.03, subdivision 5; or

(E) a volunteer firefighter in section 299N.03, subdivision 7.

For the purposes of this clause, "on call" means required to respond to requests for emergency medical services or fire help within the geographic area served by the ambulance service or fire department of which the first responder is an employee or volunteer.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014, except that clause (23) is effective for taxable years beginning after December 31, 2015.

Sec. 11. Minnesota Statutes 2014, 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 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) 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;

(5) 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;

(6) 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 (8), 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;

(7) 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;

(8) 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 subdivision 19c, clause (1), in a prior taxable year;

(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;

(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;

(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;

(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;

(13) 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 Division C, title III, section 303(b) of Public Law 110-343;

(14) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (12), 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 (12). The resulting delayed depreciation cannot be less than zero;

(15) ~~in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (13), an amount equal to one-fifth of the amount of the addition~~ the section 179 expensing subtraction as provided under section 290.0803, subdivision 3;

(16) to the extent included in federal taxable income, discharge of indebtedness income resulting from reacquisition of business indebtedness included in federal taxable income under section 108(i) of the Internal Revenue Code. This subtraction applies only to the extent that the income was included in net income in a prior year as a result of the addition under subdivision 19c, clause (16); ~~and~~

(17) the amount of expenses not allowed for federal income tax purposes due to claiming the railroad track maintenance credit under section 45G(a) of the Internal Revenue Code~~.~~; and

(18) to the extent included in federal taxable income, an amount equal to any fees, dues, or membership expenses paid by an employer on behalf of each employee to a fitness facility, as defined in subdivision 19b, clause (22), item (v), provided that:

(i) the subtraction under this clause shall not exceed $40 per employee per calendar month;

(ii) the subtraction under this clause is only allowed to employers for months in which the employee uses the fitness facility for the preservation, maintenance, encouragement, or development of physical fitness on at least eight days; and

(iii) the subtraction under this clause applies only if the payment of fees, dues, or membership expenses to a fitness facility are available on substantially the same terms to each member of a group of employees defined under a reasonable classification by the employer, but no classification may include only highly compensated employees, as defined under section 414(q) of the Internal Revenue Code, or any other group that includes only executives, directors, or other managerial employees.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 12. Minnesota Statutes 2014, section 290.01, subdivision 29, is amended to read:

Subd. 29. **Taxable income.** The term "taxable income" means:

(1) for individuals, estates, and trusts, the same as taxable net income;

(2) for corporations, the taxable net income less

(i) the net operating loss deduction under section 290.095, excluding any amount surrendered under section 116J.8739;

(ii) the dividends received deduction under section 290.21, subdivision 4; and

(iii) the exemption for operating in a job opportunity building zone under section 469.317.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2015.

Sec. 13. Minnesota Statutes 2014, section 290.01, subdivision 31, as amended by Laws 2015, chapter 1, section 3, is amended to read:

Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December 31, 2014~~ April 1, 2015. Internal Revenue Code also includes any uncodified provision in federal law that relates to provisions of the Internal Revenue Code that are incorporated into Minnesota law. When used in this chapter, the reference to "subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code" is to the Internal Revenue Code as amended through March 18, 2010.

EFFECTIVE DATE. This section is effective the day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time the changes were effective for federal purposes.

Sec. 14. Minnesota Statutes 2014, section 290.06, is amended by adding a subdivision to read:

Subd. 37. **Refund; technology corporate tax benefits certificate; appropriation.** (a) A corporation is allowed a refund equal to the amount of the qualifying tax benefits certified to the corporation for the taxable year by the commissioner of employment and economic development under section 116J.8739.

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2015.

Sec. 15. **[290.0661] STATE TAX CREDIT FOR MNSURE PREMIUM PAYMENTS.**

Subdivision 1. **Definitions.** (a) For purposes of this section, the following definitions apply.

(b) "MNsure" means the insurance exchange established under chapter 62V.

(c) "Federal poverty guidelines" means the federal poverty guidelines published by the United States Department of Health and Human Services that apply to calculate the individual's premium support credit under section 36B of the Internal Revenue Code for the taxable year.

(d) "Qualified individual" means a resident individual applying for, or enrolled in, qualified health plan coverage through MNsure with:

(1) an income greater than 133 percent but not exceeding 200 percent of the federal poverty guidelines; or

(2) an income equal to or less than 133 percent of the federal poverty guidelines, if the applicant or enrollee would have been eligible for MinnesotaCare coverage under the eligibility criteria specified in Minnesota Statutes 2014, chapter 256L.

Subd. 2. **Credit allowed; payment to health carrier.** (a) A qualified individual is allowed a credit against the tax due under this chapter equal to the amount determined under subdivision 3.

(b) For a part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

(c) A qualified individual receiving a premium advance under section 62V.05, subdivision 5, paragraph (j), must pay to the health carrier the full amount of the premium advance by April 15 of the year following the coverage year for which the premium advance was provided.

Subd. 3. **Calculation of credit amount.** The commissioner, in consultation with the commissioner of human services and the MNsure board, shall provide qualified individuals with tax credits that reduce the cost of MNsure household premiums for qualified health plans by specified dollar amounts. The dollar amount of the tax credit must equal the base premium reduction amount, adjusted for household size. The commissioner shall establish separate base premium reduction amounts, based on a sliding scale, for:

(1) households with incomes not exceeding 150 percent of the federal poverty guidelines; and

(2) households with incomes greater than 150 percent but not exceeding 200 percent of the federal poverty guidelines.

The commissioner, in developing the tax credit methodology and the base premium reduction amounts, shall ensure that aggregate tax credits provided under this section do not exceed $50,000,000 per taxable year.

Subd. 4. **Credit refundable; appropriation.** (a) If the credit allowed under this section exceeds the individual's liability under this chapter, the commissioner shall refund the excess to the taxpayer.

(b) An amount sufficient to pay the credits required by this section is appropriated from the general fund to the commissioner.

Subd. 5. **Payment in advance.** The commissioner of human services shall seek all federal approvals and waivers necessary to pay the tax credit established under this section on a monthly basis, in advance, to the health carrier providing qualified health plan coverage to the qualified individual without affecting the amount of the qualified individual's federal premium support credit. If the necessary federal approvals and waivers are obtained, the commissioner of human services shall submit to the legislature any legislative changes necessary to implement advanced payment of tax credits, and the MNsure board shall require health carriers to reduce premiums charged to qualified individuals by the amount of the applicable tax credit.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2015.

Sec. 16. Minnesota Statutes 2014, section 290.067, subdivision 1, is amended to read:

Subdivision 1. **Amount of credit.** (a) A taxpayer may take as a credit against the tax due from the taxpayer and a spouse, if any, under this chapter an amount equal to the dependent care credit for which the taxpayer is eligible pursuant to the provisions of section 21 of the Internal Revenue Code ~~subject to the limitations provided in subdivision 2~~ except that in determining whether the child qualified as a dependent, income received as a Minnesota family investment program grant or allowance to or on behalf of the child must not be taken into account in determining whether the child received more than half of the child's support from the taxpayer, and the provisions of section 32(b)(1)(D) of the Internal Revenue Code do not apply.

(b) If a child who has not attained the age of six years at the close of the taxable year is cared for at a licensed family day care home operated by the child's parent, the taxpayer is deemed to have paid employment-related expenses. If the child is 16 months old or younger at the close of the taxable year, the amount of expenses deemed to have been paid equals the maximum limit for one qualified individual under section 21(c) and (d) of the Internal Revenue Code. If the child is older than 16 months of age but has not attained the age of six years at the close of the taxable year, the amount of expenses deemed to have been paid equals the amount the licensee would charge for the care of a child of the same age for the same number of hours of care.

(c) If a married couple:

(1) has a child who has not attained the age of one year at the close of the taxable year;

(2) files a joint tax return for the taxable year; and

(3) does not participate in a dependent care assistance program as defined in section 129 of the Internal Revenue Code, in lieu of the actual employment related expenses paid for that child under paragraph (a) or the deemed amount under paragraph (b), the lesser of (i) the combined earned income of the couple or (ii) the amount of the maximum limit for one qualified individual under section 21(c) and (d) of the Internal Revenue Code will be deemed to be the employment related expense paid for that child. The earned income limitation of section 21(d) of the Internal Revenue Code shall not apply to this deemed amount. These deemed amounts apply regardless of whether any employment-related expenses have been paid.

(d) If the taxpayer is not required and does not file a federal individual income tax return for the tax year, no credit is allowed for any amount paid to any person unless:

(1) the name, address, and taxpayer identification number of the person are included on the return claiming the credit; or

(2) if the person is an organization described in section 501(c)(3) of the Internal Revenue Code and exempt from tax under section 501(a) of the Internal Revenue Code, the name and address of the person are included on the return claiming the credit.
In the case of a failure to provide the information required under the preceding sentence, the preceding sentence does not apply if it is shown that the taxpayer exercised due diligence in attempting to provide the information required.

(e) 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 (9), 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.

(f) For residents of Minnesota, the subtractions for military pay under section 290.01, subdivision 19b, clauses (10) and (11), are not considered "earned income not subject to tax under this chapter."

(g) 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."

(h) For taxpayers with federal adjusted gross income in excess of $44,000, the credit is equal to the lesser of the credit otherwise calculated under this subdivision or the amount equal to $600 minus five percent of federal adjusted gross income in excess of $44,000 for taxpayers with one qualified individual or $1,200 minus five percent of federal adjusted gross income in excess of $44,000 for taxpayers with two or more qualified individuals, but in no case is the credit less than zero. For purposes of this paragraph, "federal adjusted gross income" has the meaning given in section 62 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 17. Minnesota Statutes 2014, section 290.0671, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** (a) An individual who is a resident of Minnesota is allowed a credit against the tax imposed by this chapter equal to a percentage of earned income. To receive a credit, a taxpayer must be eligible for a credit under section 32 of the Internal Revenue Code.

(b) For individuals with no qualifying children, the credit equals 2.10 percent of the first $6,180 of earned income. The credit is reduced by 2.01 percent of earned income or adjusted gross income, whichever is greater, in excess of $8,130, but in no case is the credit less than zero.

(c) For individuals with one qualifying child, the credit equals 9.35 percent of the first $11,120 of earned income. The credit is reduced by 6.02 percent of earned income or adjusted gross income, whichever is greater, in excess of $21,190, but in no case is the credit less than zero.

(d) For individuals with two or more qualifying children, the credit equals 11 percent of the first $18,240 of earned income. The credit is reduced by 10.82 percent of earned income or adjusted gross income, whichever is greater, in excess of $25,130, but in no case is the credit less than zero.

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

(f) For a person who was a resident for the entire tax year and has earned income not subject to tax under this chapter, including income excluded under section 290.01, subdivision 19b, clause (9), the credit must be allocated based on the ratio of federal adjusted gross income reduced by the earned income not subject to tax under this chapter over federal adjusted gross income. For purposes of this paragraph, the subtractions for military pay under section 290.01, subdivision 19b, clauses (10) and (11), are not considered "earned income not subject to tax under this chapter."

For the purposes of this paragraph, the exclusion of combat pay under section 112 of the Internal Revenue Code is not considered "earned income not subject to tax under this chapter."

(g) For tax years beginning after December 31, 2007, and before December 31, 2010, and for tax years beginning after December 31, 2017, the $8,130 in paragraph (b), the $21,190 in paragraph (c), and the $25,130 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by $3,000 for married taxpayers filing joint returns. For tax years beginning after December 31, 2008, the commissioner shall annually adjust the $3,000 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 "2007" shall be 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 taxable year. The earned income thresholds as adjusted for inflation must be rounded to the nearest $10. If the amount ends in $5, the amount is rounded up to the nearest $10. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

(h)(1) For tax years beginning after December 31, 2012, and before January 1, 2014, the $5,770 in paragraph (b), the $15,080 in paragraph (c), and the $17,890 in paragraph (d), after being adjusted for inflation under subdivision 7, are increased by $5,340 for married taxpayers filing joint returns; and (2) for tax years beginning after December 31, 2013, and before January 1, 2018, the $8,130 in paragraph (b), the $21,190 in paragraph (c), and the $25,130 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by $5,000 for married taxpayers filing joint returns. For tax years beginning after December 31, 2010, and before January 1, 2012, and for tax years beginning after December 31, 2013, and before January 1, 2018, the commissioner shall annually adjust the $5,000 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 "2008" shall be substituted for the word "1992." For 2011, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2008, to the 12 months ending on August 31, 2010, and in each subsequent year, from the 12 months ending on August 31, 2008, 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. If the amount ends in $5, the amount is rounded up to the nearest $10. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

(i) The commissioner shall construct tables showing the amount of the credit at various income levels and make them available to taxpayers. The tables shall follow the schedule contained in this subdivision, except that the commissioner may graduate the transition between income brackets.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 18. Minnesota Statutes 2014, section 290.0671, subdivision 6a, is amended to read:

Subd. 6a. **TANF appropriation for working family credit expansion.** (a) On an annual basis the commissioner of revenue, with the assistance of the commissioner of human services, shall calculate the value of the refundable portion of the Minnesota Working Family Credit provided under this section that qualifies for payment with funds from the federal Temporary Assistance for Needy Families (TANF) block grant. Of this total amount, the commissioner of revenue shall estimate the portion entailed by the expansion of the credit rates provided in Laws 2000, chapter 490, article 4, section 17, for individuals with qualifying children over the rates provided in Laws 1999, chapter 243, article 2, section 12.

(b) An amount sufficient to pay the refunds entailed by the expansion of the credit rates provided in Laws 2000, chapter 490, article 4, section 17, for individuals with qualifying children over the rates provided in Laws 1999, chapter 243, article 2, section 12, as estimated in paragraph (a), is appropriated to the commissioner of human services from the federal Temporary Assistance for Needy Families (TANF) block grant funds, for transfer to the commissioner of revenue for deposit in the general fund.

EFFECTIVE DATE. This section is effective retroactively for transfers in fiscal year 2015 and thereafter.

Sec. 19. Minnesota Statutes 2014, section 290.0672, subdivision 2, is amended to read:

Subd. 2. **Credit.** A taxpayer is allowed a credit against the tax imposed by this chapter for long-term care insurance policy premiums paid during the tax year. The credit for each policy equals ~~25~~ 50 percent of premiums paid to the extent not deducted in determining federal taxable income. A taxpayer may claim a credit for only one policy for each qualified beneficiary. A maximum of ~~$100~~ $150 applies to each qualified beneficiary. The maximum total credit allowed per year is ~~$200~~ $300 for married couples filing joint returns and ~~$100~~ $150 for all other filers. For a nonresident or part-year resident, the credit determined under this section must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 20. Minnesota Statutes 2014, section 290.0674, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** An individual is allowed a credit against the tax imposed by this chapter in an amount equal to 75 percent of the amount paid for education-related expenses for a qualifying child in a prekindergarten educational program or in kindergarten through grade 12. For purposes of this section, "education-related expenses" means:

(1) fees or tuition for instruction by an instructor under section 120A.22, subdivision 10, clause (1), (2), (3), (4), or (5), or a member of the Minnesota Music Teachers Association, and who is not a lineal ancestor or sibling of the dependent for instruction outside the regular school day or school year, including tutoring, driver's education offered as part of school curriculum, regardless of whether it is taken from a public or private entity or summer camps, in grade or age appropriate curricula that supplement curricula and instruction available during the regular school year, that assists a dependent

to improve knowledge of core curriculum areas or to expand knowledge and skills under the required academic standards under section 120B.021, subdivision 1, and the elective standard under section 120B.022, subdivision 1, clause (2), and that do not include the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship;

(2) fees for enrollment in a prekindergarten educational program to the extent not used to claim the credit under section 290.067;

~~(2)~~ (3) expenses for textbooks, including books and other instructional materials and equipment purchased or leased for use in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs;

~~(3)~~ (4) a maximum expense of $200 per family for personal computer hardware, excluding single purpose processors, and educational software that assists a dependent to improve knowledge of core curriculum areas or to expand knowledge and skills under the required academic standards under section 120B.021, subdivision 1, and the elective standard under section 120B.022, subdivision 1, clause (2), purchased for use in the taxpayer's home and not used in a trade or business regardless of whether the computer is required by the dependent's school; and

~~(4)~~ (5) the amount paid to others for tuition and transportation of a qualifying child attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363A. Amounts paid to others for transportation do not include any expense the taxpayer incurred in using the taxpayer's or the qualifying child's vehicle to provide transportation for a qualifying child.

For purposes of this section, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code.

As used in this section, "prekindergarten educational program" means:

(i) prekindergarten programs established by a school district under chapter 124D;

(ii) preschools, nursery schools, and early childhood development programs licensed by the Department of Human Services and eligible for the provider rate differential for accreditation under section 119B.13, subdivision 3a;

(iii) Montessori programs affiliated with or accredited by the American Montessori Society or American Montessori International;

(iv) child care programs provided by family day care providers holding a current early childhood development credential approved by the commissioner of human services; and

(v) a prekindergarten program that participates in the quality rating and improvement system under section 124D.142.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 21. Minnesota Statutes 2014, section 290.0674, subdivision 2, is amended to read:

Subd. 2. **Limitations.** (a) For claimants with income not greater than ~~$33,500~~ $47,500, the maximum credit allowed for a family is ~~$1,000~~ $1,500 multiplied by the number of qualifying children in ~~kindergarten~~ a prekindergarten educational program through grade 12 in the family. The maximum credit for families with one qualifying child in ~~kindergarten~~ a prekindergarten educational program through grade 12 is reduced by $1 for each ~~$4~~ $6 of household income over ~~$33,500~~ $47,500, and the maximum credit for families with two or more qualifying children in ~~kindergarten~~ a prekindergarten educational program through grade 12 is reduced by ~~$2~~ $1 for each ~~$4~~ $3 of household income over ~~$33,500~~ $47,500, but in no case is the credit less than zero.

~~For purposes of this section "income" has the meaning given in section 290.067, subdivision 2a.~~ In the case of a married claimant, a credit is not allowed unless a joint income tax return is filed.

(b) For a nonresident or part-year resident, the credit determined under subdivision 1 and the maximum credit amount in paragraph (a) must be allocated using the percentage calculated in section 290.06, subdivision 2c, paragraph (e).

(c) For purposes of this section, "income" means the sum of the following:

(1) federal adjusted gross income as defined in section 62 of the Internal Revenue Code; and

(2) the sum of the following amounts to the extent not included in clause (1):

(i) all nontaxable income;

(ii) the amount of a passive activity loss that is not disallowed as a result of section 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;

(iii) an amount equal to the total of any discharge of qualified farm indebtedness of a solvent individual excluded from gross income under section 108(g) of the Internal Revenue Code;

(iv) cash public assistance and relief;

(v) any pension or annuity (including railroad retirement benefits, all payments received under the federal Social Security Act, Supplemental Security Income, and veterans benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;

(vi) interest received from the federal or a state government or any instrumentality or political subdivision thereof;

(vii) workers' compensation;

(viii) nontaxable strike benefits;

(ix) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise;

(x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1995;

(xi) contributions made by the claimant to an individual retirement account, including a qualified voluntary employee contribution; simplified employee pension plan; self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal Revenue Code;

(xii) nontaxable scholarship or fellowship grants;

(xiii) the amount of deduction allowed under section 199 of the Internal Revenue Code;

(xiv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue Code;

(xv) the amount deducted for tuition expenses under section 222 of the Internal Revenue Code; and

(xvi) the amount deducted for certain expenses of elementary and secondary school teachers under section 62(a)(2)(D) of the Internal Revenue Code.

In the case of an individual who files an income tax return on a fiscal year basis, the term "federal adjusted gross income" means federal adjusted gross income reflected in the fiscal year ending in the next calendar year. Federal adjusted gross income may not be reduced by the amount of a net operating loss carryback or carryforward or a capital loss carryback or carryforward allowed for the year.

(d) "Income" does not include:

(1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;

(2) amounts of any pension or annuity that were exclusively funded by the claimant or spouse if the funding payments were not excluded from federal adjusted gross income in the years when the payments were made;

(3) surplus food or other relief in kind supplied by a governmental agency;

(4) relief granted under chapter 290A;

(5) child support payments received under a temporary or final decree of dissolution or legal separation; and

(6) restitution payments received by eligible individuals and excludable interest as defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 22. Minnesota Statutes 2014, section 290.0674, is amended by adding a subdivision to read:

Subd. 6. **Inflation adjustment.** The credit amount and the income threshold at which the maximum credit begins to be reduced in subdivision 2 must be adjusted for inflation. The commissioner shall adjust the credit amount and income threshold by the percentage determined under the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "2014" is substituted for the word "1992." For 2016, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2014, to the 12 months ending on August 31, 2015, and in each subsequent year, from the 12 months ending August 31, 2014, to the 12 months ending on August 31 of the year preceding the taxable year. The credit amount and income threshold, 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 subject to the Administrative Procedure Act in chapter 14, including section 14.386.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 23. Minnesota Statutes 2014, section 290.068, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** Subject to the requirements in subdivision 8, a corporation, ~~partners in a partnership, or shareholders in a corporation treated as an "S"~~

~~corporation under section 290.9725 are~~ individual, trust, or estate is allowed a credit against the tax computed under this chapter for the taxable year equal to:

(a) ten percent of the first $2,000,000 of the excess (if any) of

(1) the qualified research expenses for the taxable year, over

(2) the base amount; and

(b) ~~2.5~~ four percent on all of such excess expenses over $2,000,000.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2015.

Sec. 24. Minnesota Statutes 2014, section 290.068, subdivision 3, is amended to read:

Subd. 3. **Limitation; carryover.** (a) Except as provided in subdivision 6a, paragraph (b), the credit ~~for a taxable year beginning before January 1, 2010, and after December 31, 2012,~~ shall not exceed the liability for tax. "Liability for tax" for purposes of this section means the sum of the tax imposed under section 290.06, subdivisions 1 and 2c, for the taxable year reduced by the sum of the nonrefundable credits allowed under this chapter, on all of the entities required to be included on the combined report of the unitary business. If the amount of the credit allowed exceeds the liability for tax of the taxpayer, but is allowed as a result of the liability for tax of other members of the unitary group for the taxable year, the taxpayer must allocate the excess as a research credit to another member of the unitary group.

(b) In the case of a corporation which is a partner in a partnership, the credit allowed for the taxable year shall not exceed the lesser of the amount determined under paragraph (a) for the taxable year or an amount (separately computed with respect to the corporation's interest in the trade or business or entity) equal to the amount of tax attributable to that portion of taxable income which is allocable or apportionable to the corporation's interest in the trade or business or entity.

(c) If the amount of the credit determined under this section for any taxable year exceeds the limitation under paragraph (a) or (b), including amounts allowed as a refund under subdivision 6a, paragraph (b), or allocated to other members of the unitary group, the excess shall be a research credit carryover to each of the 15 succeeding taxable years. The entire amount of the excess unused credit for the taxable year shall 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 clause shall not exceed the taxpayer's liability for tax less the research credit for the taxable year.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 25. Minnesota Statutes 2014, section 290.068, subdivision 6a, is amended to read:

Subd. 6a. **Credit to be refundable.** (a) If the amount of credit allowed in this section for qualified research expenses incurred in taxable years beginning after December 31, 2009, and before January 1, 2013, exceeds the taxpayer's ~~tax~~ liability for tax under this chapter, the commissioner shall refund the excess amount. The credit allowed for qualified research expenses incurred in taxable years beginning after December 31, 2009, and before January 1, 2013, must be used before any research credit earned under subdivision 3.

(b) If the first $200,000 of the credit allowed in this section for qualified research expenses incurred in taxable years beginning after December 31, 2014, exceeds the taxpayer's liability for tax under this chapter, the commissioner shall refund the excess amount. The $200,000 limit must be applied at the corporation, partnership, or other entity level. The credit allowed for qualified research expenses incurred in taxable years beginning before January 1, 2015, must be used before any research credit under subdivision 3.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 26. Minnesota Statutes 2014, section 290.068, is amended by adding a subdivision to read:

Subd. 8. **Applications; certification.** (a) A taxpayer claiming a credit under this section must apply to the commissioner of employment and economic development for a determination that the expenses for which the credit is claimed are qualified research expenses. The application must be submitted by September 15 of the calendar year following the end of the taxable year in which the qualified research expenses were incurred. The application must be in a form and manner prescribed by the commissioner of employment and economic development, in consultation with the commissioner, and must contain information sufficient to verify that the expenses for which the credit is claimed under this section are qualified research expenses.

(b) The commissioner of employment and economic development must notify the taxpayer of the determination of the application under paragraph (a) no later than 90 days after the application is received.

(c) Upon approving an application for credit under paragraph (a), the commissioner of employment and economic development must issue a credit certificate to the taxpayer that verifies eligibility for the credit and states the amount of credit and the taxable year to which the credit applies. The commissioner of employment and economic development must notify the commissioner of the issuance of the credit certificate, the amount of the credit, and the taxable year to which the credit applies.

(d) The taxpayer claiming the credit under this section must file an amended return for the taxable year to which the credit applies. The return must contain a copy of the credit certificate issued under paragraph (c).

(e) A credit must not be issued under this section unless the commissioner has received the certification required under paragraph (c).

(f) For purposes of this subdivision, "taxpayer" excludes:

(1) a corporation subject to tax under section 290.06, subdivision 1; and

(2) an individual claiming a credit for qualified research expenditures of an S corporation or partnership.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2015.

Sec. 27. **[290.0682] CREDIT FOR ATTAINING MASTER'S DEGREE IN TEACHER'S LICENSURE FIELD.**

Subdivision 1. **Definitions.** (a) For purposes of this section the following terms have the meanings given them.

(b) "Master's degree program" means a graduate level program at an accredited university leading to a master of arts or science degree in a core content area directly related to a qualified teacher's licensure field. The master's degree program may not include pedagogy or a pedagogy component. To be eligible under this credit, a licensed elementary school teacher must pursue and complete a master's degree program in a core content area in which the teacher provides direct classroom instruction.

(c) "Qualified teacher" means a K-12 teacher who:

(1) currently holds a continuing license granted by the Minnesota Board of Teaching;

(2) began a master's degree program after June 30, 2015; and

(3) completes the master's degree program during the taxable year.

(d) "Core content area" means the academic subject of reading, English or language arts, mathematics, science, foreign languages, civics and government, economics, arts, history, or geography.

Subd. 2. **Credit allowed.** (a) An individual who is a qualified teacher is allowed a credit against the tax imposed under this chapter. The credit equals $2,500.

(b) For a nonresident or a part-year resident, the credit under this subdivision must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

(c) A qualified teacher may claim the credit in this section only one time for each master's degree program completed in a core content area.

Subd. 3. **Credit refundable.** (a) If the amount of the credit for which an individual is eligible exceeds the individual's liability for tax under this chapter, the commissioner shall refund the excess to the individual.

(b) The amount necessary to pay the refunds required by this section is appropriated to the commissioner from the general fund.

Subd. 4. **Delayed payment of 2015 and 2016 credits.** For master's degree programs completed in taxable years beginning after December 31, 2014, and before January 1, 2017, the individual may claim the corresponding credit in the taxable year beginning after December 31, 2016, and before January 1, 2018, but not earlier. Credits claimed for taxable years beginning after December 31, 2014, and before January 1, 2017, are in addition to any credit allowed for the taxable year beginning after December 31, 2016, and before January 1, 2018.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 28. **[290.0683] STUDENT LOAN CREDIT.**

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

(b) "Adjusted gross income" means federal adjusted gross income as defined in section 62 of the Internal Revenue Code.

(c) "Earned income" has the meaning given in section 32(c) of the Internal Revenue Code.

(d) "Eligible individual" means a resident individual with one or more qualified education loans related to an undergraduate or graduate degree program at a postsecondary educational institution.

(e) "Eligible loan payments" means the amount the eligible individual paid during the taxable year to pay principal and interest on qualified education loans.

(f) "Postsecondary educational institution" means a postsecondary institution eligible for state student aid under section 136A.103 or, if the institution is not located in this state, a postsecondary institution participating in the federal Pell Grant program under Title IV of the Higher Education Act of 1965, Public Law 89-329, as amended.

(g) "Qualified education loan" has the meaning given in section 221 of the Internal Revenue Code, but is limited to indebtedness incurred on behalf of the eligible individual or the eligible individual's spouse.

Subd. 2. **Credit allowed.** (a) An eligible individual is allowed a credit against the tax due under this chapter.

(b) The credit for an eligible individual equals the least of:

(1) eligible loan payments minus ten percent of an amount equal to adjusted gross income in excess of $10,000, but in no case less than zero;

(2) the earned income for the taxable year of the eligible individual and spouse, if any; or

(3) the sum of:

(i) the interest portion of eligible loan payments made during the taxable year; and

(ii) ten percent of the original loan amount of all qualified education loans of the eligible individual and the eligible individual's spouse.

(c) For a part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

Subd. 3. **Credit refundable.** If the amount of credit that an individual is eligible to receive under this section exceeds the individual's tax liability under this chapter, the commissioner shall refund the excess to the individual.

Subd. 4. **Appropriation.** An amount sufficient to pay the refunds required by this section is appropriated to the commissioner from the general fund.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 29. **[290.0684] SECTION 529 COLLEGE SAVINGS PLAN CREDIT.**

Subdivision 1. **Definitions.** For purposes of this section, the term "federal adjusted gross income" has the meaning given under section 62(a) of the Internal Revenue Code, and "nonqualified distribution" means any distribution that is includible in gross income under section 529 of the Internal Revenue Code.

Subd. 2. **Credit allowed.** (a) A credit of up to $500 is allowed to a resident individual against the tax imposed by this chapter, subject to the limitations in paragraph (b).

(b) The credit allowed must be calculated by applying the following rates to the amount contributed to a college savings plan account qualifying under section 529 of the Internal Revenue Code, in a taxable year:

(1) 50 percent for individual filers and married couples filing a joint return who have federal adjusted gross income of less than $80,000;

(2) 25 percent for married couples filing a joint return who have federal adjusted gross income over $80,000, but not more than $100,000;

(3) ten percent for married couples filing a joint return who have federal adjusted gross income over $100,000, but not more than $120,000; and

(4) five percent for married couples filing a joint return who have federal adjusted gross income over $120,000, but not more than $160,000.

(c) The income thresholds in paragraph (b), clauses (1) to (4), used to calculate the credit, must be adjusted for inflation. The commissioner shall adjust by the percentage determined under the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "2014" is substituted for the word "1992." For 2016, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2014, to the 12 months ending on August 31, 2015, and in each subsequent year, from the 12 months ending on August 31, 2014, to the 12 months ending on August 31 of the year preceding the taxable year. The 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 including section 14.386.

Subd. 3. **Credit refundable.** If the amount of credit that an individual is eligible to receive under this section exceeds the individual's tax liability under this chapter, the commissioner shall refund the excess to the individual.

Subd. 4. **Allocation.** For a part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

Subd. 5. **Recapture of credit.** In the case of a nonqualified distribution, the taxpayer is liable to the commissioner for the lesser of: ten percent of the amount of the nonqualified distribution, or the sum of credits received under this section for all years.

Subd. 6. **Appropriation.** An amount sufficient to pay the refunds required by this section is appropriated to the commissioner from the general fund.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 30. **[290.0803] SECTION 179 EXPENSING SUBTRACTION.**

Subdivision 1. **Current year allowance.** (a) In each of the five tax years immediately following the tax year in which an addition is required under section 290.01, subdivision 19a, clause (8), or 19c, clause (13), the current year allowance equals one-fifth of the addition made by the taxpayer under section 290.01, subdivision 19a, clause (8), or 19c, clause (13).

(b) In the case of a shareholder of a corporation that is an S corporation, the current year allowance is reduced by the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition and, if the net operating loss exceeds the addition for the tax year, the current year allowance is zero.

Subd. 2. **Section 179 expensing carryover.** For purposes of this section, the current year allowance determined under subdivision 1 is considered to be the last subtraction allowed in determining taxable income. If the amount allowed under subdivision 1 exceeds taxable income, then the excess is a section 179 expensing carryover to each of the ten succeeding taxable years. The entire amount of the section 179 expensing carryover is carried first to the earliest taxable year to which the section 179 expensing carryover may be carried and then to each successive year to which the section 179 expensing carryover may be carried.

Subd. 3. **Section 179 expensing subtraction.** A taxpayer is allowed a section 179 expensing subtraction from federal taxable income. The subtraction equals the sum of:

(1) the current year allowance determined under subdivision 1; and

(2) any section 179 expensing carryover from prior taxable years determined under subdivision 2.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 31. Minnesota Statutes 2014, section 290.081, is amended to read:

290.081 INCOME OF NONRESIDENTS, RECIPROCITY.

(a) The compensation received for the performance of personal or professional services within this state by an individual whose residence, place of abode, and place customarily returned to at least once a month is in another state, shall be excluded from gross income to the extent such compensation is subject to an income tax imposed by the state of residence; provided that such state allows a similar exclusion of compensation received by residents of Minnesota for services performed therein.

(b) When it is deemed to be in the best interests of the people of this state, the commissioner may determine that the provisions of paragraph (a) shall not apply. As long as the provisions of paragraph (a) apply between Minnesota and Wisconsin, the provisions of paragraph (a) shall apply to any individual who is domiciled in Wisconsin.

(c) For the purposes of paragraph (a), whenever the Wisconsin tax on Minnesota residents which would have been paid Wisconsin without paragraph (a) exceeds the Minnesota tax on Wisconsin residents which would have been paid Minnesota without paragraph (a), or vice versa, then the state with the net revenue loss resulting from paragraph (a) shall receive from the other state the amount of such loss. This provision shall be effective for all years beginning after December 31, 1972. The data used for computing the loss to either state shall be determined on or before September 30 of the year following the close of the previous calendar year.

(d)(1) Interest is payable on all amounts calculated under paragraph (c) relating to taxable years beginning after December 31, 2000. Interest accrues from July 1 of the taxable year.

(2) The commissioner of revenue is authorized to enter into agreements with the state of Wisconsin specifying the reciprocity payment due dates, conditions constituting delinquency, interest rates, and a method for computing interest due, if the taxing official of the state of Wisconsin agrees to terms consistent with clause (3).

~~(3) For agreements entered into before October 1, 2014, the annual compensation required under paragraph (c) must equal at least the net revenue loss minus $1,000,000 per fiscal year.~~

~~(4) For agreements entered into after September 30, 2014,~~ (3) The annual compensation required under paragraph (c) must equal the net revenue loss per fiscal year.

~~(5)~~ For the purposes of ~~clauses (3) and (4)~~ this clause, "net revenue loss" means the difference between:

(i) the amount of Minnesota income taxes Minnesota forgoes by not taxing Wisconsin residents on income subject to reciprocity less the cost of providing refundable credits in excess of liability under this chapter to Wisconsin residents; and

(ii) the ~~credit Minnesota would have been required to give under section 290.06, subdivision 22, to Minnesota residents working in Wisconsin had there not been reciprocity~~ amount of Wisconsin income taxes Wisconsin forgoes by not taxing Minnesota residents on income subject to reciprocity.

(e) If an agreement cannot be reached as to the amount of the loss, the commissioner of revenue and the taxing official of the state of Wisconsin shall each appoint a member of a board of arbitration and these members shall appoint the third member of the board. The board shall select one of its members as chair. Such board may administer oaths, take testimony, subpoena witnesses, and require their attendance, require the production of books, papers and documents, and hold hearings at such places as are deemed necessary. The board shall then make a determination as to the amount to be paid the other state which determination shall be final and conclusive.

(f) The commissioner may furnish copies of returns, reports, or other information to the taxing official of the state of Wisconsin, a member of the board of arbitration, or a consultant under joint contract with the states of Minnesota and Wisconsin for the purpose of making a determination as to the amount to be paid the other state under the provisions of this section. Prior to the release of any information under the provisions of this section, the person to whom the information is to be released shall sign an agreement which provides that the person will protect the confidentiality of the returns and information revealed thereby to the extent that it is protected under the laws of the state of Minnesota.

EFFECTIVE DATE. This section is effective the day following final enactment for taxable years beginning after December 31, 2014.

Sec. 32. Minnesota Statutes 2014, 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;

(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) to (9), and (11) to (14);

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;

(4) amounts subtracted from federal taxable income as provided by section 290.01, subdivision 19b, clauses (6), (8) to (14), (16), ~~and~~ (21), (23), (24), (25), and (27); and

(5) the amount of the net operating loss allowed under section 290.095, subdivision 11, paragraph (c).

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) "Net minimum tax" means the minimum tax imposed by this section.

(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) "Tentative minimum tax" equals 6.75 percent of alternative minimum taxable income after subtracting the exemption amount determined under subdivision 3.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 33. Minnesota Statutes 2014, section 290A.03, subdivision 15, as amended by Laws 2015, chapter 1, section 4, is amended to read:

Subd. 15. **Internal Revenue Code.** "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December 31, 2014~~ April 1, 2015.

EFFECTIVE DATE. This section is effective for property tax refunds based on property taxes payable after December 31, 2015, and rent paid after December 31, 2014.

Sec. 34. **ADDITIONAL PERSONAL AND DEPENDENT EXEMPTION AMOUNT FOR 2015 AND 2016.**

(a) For taxable years beginning after December 31, 2014, and before January 1, 2017, an individual subject to tax under Minnesota Statutes, section 290.06, subdivision 2c, is allowed a subtraction from federal taxable income, in addition to the subtractions under Minnesota Statutes, section 290.01, subdivision 19b, equal to the number of personal exemptions allowed under sections 151(b) and (c) of the Internal Revenue Code, multiplied by one-quarter of the dollar amount for personal exemptions under sections 151(d)(1) and (2) of the Internal Revenue Code, as adjusted for inflation by section 151(d)(4) of the Internal Revenue Code.

(b) For taxable years beginning after December 31, 2014, and before January 1, 2017, the additional exemption in paragraph (a) must be added to the disallowed personal exemption amount under Minnesota Statutes, section 290.01, subdivision 19a, clause (16), item (i).

(c) The additional exemption amount under this section is a modification to net income under Minnesota Statutes, section 290.01, subdivision 19.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014, and before January 1, 2017.

Sec. 35. **CREDIT FOR JOB TRAINING CENTER REHABILITATION.**

(a) A taxpayer is allowed a credit against the tax due under Minnesota Statutes, chapter 290, if the taxpayer rehabilitated and placed in service in calendar year 2015 a certified historic structure that once served as a library and is located in a city of the first class. The credit equals 20 percent of the qualified rehabilitation expenditures for the project.

(b) The taxpayer must notify the commissioner within six months of when the project is placed in service, and must provide documentation that the project meets the requirements of this section, in the form and manner prescribed by the commissioner. The commissioner must issue a credit certificate to the developer upon verifying that the project has been placed in service and meets the requirements of this section.

(c) The recipient of a credit certificate may assign the certificate to another taxpayer, including an insurance company, which is then allowed the credit under this section. An assignment is not valid unless the assignee notifies the commissioner within 30 days of the date the assignment is made. The commissioner shall prescribe the forms necessary for notifying the commissioner of the assignment of a credit certificate and for claiming a credit by assignment. In lieu of the credit under paragraph (a), an insurance company that is assigned a credit under this paragraph may claim the credit against the insurance premiums tax imposed under chapter 297I.

(d) Credits granted to a partnership, a limited liability company taxed as a partnership, S corporation, or multiple owners of property are passed through to the partners, members, shareholders, or owners, respectively, pro rata to each partner, member, shareholder, or owner based on their share of the entity's assets or as specially allocated in their organizational documents or any other executed agreement, as of the last day of the taxable year.

(e) If the amount of credit that a taxpayer is eligible to receive under this section exceeds the taxpayer's liability for tax under Minnesota Statutes, chapter 290, the commissioner shall refund the excess to the taxpayer. If the amount of credit assigned to an insurance company exceeds the liability for tax under chapter 297I, the commissioner shall refund the excess to the insurance company. An amount sufficient to pay the refunds authorized under this section is appropriated to the commissioner from the general fund.

(f) For purposes of this section, the following terms have the meanings given:

(1) "certified historic structure" has the meaning given in section 47(c)(3)(A) of the Internal Revenue Code;

(2) "commissioner" means the commissioner of revenue;

(3) "qualified rehabilitation expenditures" means amounts chargeable to capital accounts but does not include the cost of acquiring the structure or enlarging the structure; and

(4) "project" means rehabilitation of a certified historic structure that is located in Minnesota.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014, and before January 1, 2016, for projects placed in service in calendar year 2015.

Sec. 36. **REPEALER.**

Minnesota Statutes 2014, section 290.067, subdivisions 2, 2a, and 2b, are repealed.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

ARTICLE 2

PROPERTY TAXPAYER EMPOWERMENT

Section 1. Minnesota Statutes 2014, section 123B.63, subdivision 3, is amended to read:

Subd. 3. **Capital project levy referendum.** (a) A district may levy the local tax rate approved by a majority of the electors voting on the question to provide funds for an approved project. The election must take place no more than five years before the estimated date of commencement of the project. The referendum ~~must~~ may be ~~held on a date set by~~ called by the board and, except as provided in paragraph (g), must be held on the first Tuesday after the first Monday in November in either an even-numbered or odd-numbered year. A district must meet the requirements of section 123B.71 for projects funded under this section. If a review and comment is required under section 123B.71, subdivision 8, a referendum for a project not receiving a positive review and comment by the commissioner must be approved by at least 60 percent of the voters at the election.

(b) ~~The~~ A referendum ~~may be~~ called ~~by the school board and~~ under this subdivision may be held:

(1) separately, before an election for the issuance of obligations for the project under chapter 475; or

(2) in conjunction with an election for the issuance of obligations for the project under chapter 475; or

(3) notwithstanding section 475.59, as a conjunctive question authorizing both the capital project levy and the issuance of obligations for the project under chapter 475. Any obligations authorized for a project may be issued within five years of the date of the election.

(c) The ballot must provide a general description of the proposed project, state the estimated total cost of the project, state whether the project has received a positive or negative review and comment from the commissioner, state the maximum amount of the capital project levy as a percentage of net tax capacity, state the amount that will be raised by that local tax rate in the first year it is to be levied, and state the maximum number of years that the levy authorization will apply.

The ballot must contain a textual portion with the information required in this section and a question stating substantially the following:

"Shall the capital project levy proposed by the board of .... School District No. .... be approved?"

If approved, the amount provided by the approved local tax rate applied to the net tax capacity for the year preceding the year the levy is certified may be certified for the number of years, not to exceed ten, approved.

(d) If the district proposes a new capital project to begin at the time the existing capital project expires and at the same maximum tax rate, the general description on the ballot may state that the capital project levy is being renewed and that the tax rate is not being increased from the previous year's rate. An election to renew authority under this paragraph may be called at any time that is otherwise authorized by this subdivision. The ballot notice required under section 275.60 may be modified to read:

"BY VOTING YES ON THIS BALLOT QUESTION, YOU ARE VOTING TO RENEW AN EXISTING CAPITAL PROJECTS REFERENDUM THAT IS SCHEDULED TO EXPIRE."

(e) In the event a conjunctive question proposes to authorize both the capital project levy and the issuance of obligations for the project, appropriate language authorizing the issuance of obligations must also be included in the question.

(f) The district must notify the commissioner of the results of the referendum.

(g) Notwithstanding paragraph (a), a referendum to levy the amount needed to finance a district's response to a disaster or emergency may be held on a date set by the board. "Disaster" means a situation that creates an actual or imminent serious threat to the health and safety of persons or a situation that has resulted or is likely to result in catastrophic loss to property or the environment. "Emergency" means an unforeseen combination of circumstances that calls for immediate action to prevent a disaster, identified in the referendum, from developing or occurring.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 2. Minnesota Statutes 2014, section 126C.17, subdivision 9, is amended to read:

Subd. 9. **Referendum revenue.** (a) The revenue authorized by section 126C.10, subdivision 1, may be increased in the amount approved by the voters of the district at a referendum called for the purpose. The referendum may be called by the board. The referendum must be conducted one or two calendar years before the increased levy authority, if approved, first becomes payable. Only one election to approve an increase may be held in a calendar year. Unless the referendum is conducted by mail under subdivision 11, paragraph (a), the referendum must be held on the first Tuesday after the first Monday in November. The ballot must state the maximum amount of the increased revenue per adjusted pupil unit. The ballot may state a schedule, determined by the board, of increased revenue per adjusted pupil unit that differs from year to year over the number of years for which the increased revenue is authorized or may state that the amount shall increase annually by the rate of inflation. The ballot must state the cumulative amount per pupil of any local optional revenue, board-approved referendum authority, and previous voter-approved referendum authority, if any, that the board expects to certify for the next school year. For this purpose, the rate of inflation shall be the annual inflationary increase calculated under subdivision 2, paragraph (b). The ballot may state that existing referendum levy authority is expiring. In this case, the ballot may also compare the proposed levy authority to the existing expiring levy authority, and express the proposed increase as the amount, if any, over the expiring referendum levy authority. The ballot must designate the specific number of years, not to exceed ten, for which the referendum authorization applies. The ballot, including a ballot on the question to revoke or reduce the increased revenue amount under paragraph (c), must abbreviate the term "per adjusted pupil unit" as "per pupil." The notice required under section 275.60 may be modified to read, in cases of renewing existing levies at the same amount per pupil as in the previous year:

"BY VOTING "YES" ON THIS BALLOT QUESTION, YOU ARE VOTING TO EXTEND AN EXISTING PROPERTY TAX REFERENDUM THAT IS SCHEDULED TO EXPIRE."

The ballot may contain a textual portion with the information required in this subdivision and a question stating substantially the following:

"Shall the increase in the revenue proposed by (petition to) the board of ...., School District No. .., be approved?"

If approved, an amount equal to the approved revenue per adjusted pupil unit times the adjusted pupil units for the school year beginning in the year after the levy is certified shall be authorized for certification for the number of years approved, if applicable, or until revoked or reduced by the voters of the district at a subsequent referendum.

(b) The board must prepare and deliver by first class mail at least 15 days but no more than 30 days before the day of the referendum to each taxpayer a notice of the referendum and the proposed revenue increase. The board need not mail more than one notice to any taxpayer. For the purpose of giving mailed notice under this subdivision, owners must be those shown to be owners on the records of the county auditor or, in any county where tax statements are mailed by the county treasurer, on the records of the county treasurer. Every property owner whose name does not appear on the records of the county auditor or the county treasurer is deemed to have waived this mailed notice unless the owner has requested in writing that the county auditor or county treasurer, as the case may be, include the name on the records for this purpose. The notice must project the anticipated amount of tax increase in annual dollars for typical residential homesteads, agricultural homesteads, apartments, and commercial-industrial property within the school district.

<u>The notice must state the cumulative and individual amounts per pupil of any local optional revenue, board-approved referendum authority, and voter-approved referendum authority, if any, that the board expects to certify for the next school year.</u>

The notice for a referendum may state that an existing referendum levy is expiring and project the anticipated amount of increase over the existing referendum levy in the first year, if any, in annual dollars for typical residential homesteads, agricultural homesteads, apartments, and commercial-industrial property within the district.

The notice must include the following statement: "Passage of this referendum will result in an increase in your property taxes." However, in cases of renewing existing levies, the notice may include the following statement: "Passage of this referendum extends an existing operating referendum at the same amount per pupil as in the previous year."

(c) A referendum on the question of revoking or reducing the increased revenue amount authorized pursuant to paragraph (a) may be called by the board. A referendum to revoke or reduce the revenue amount must state the amount per adjusted pupil unit by which the authority is to be reduced. Revenue authority approved by the voters of the district pursuant to paragraph (a) must be available to the school district at least once before it is subject to a referendum on its revocation or reduction for subsequent years. Only one revocation or reduction referendum may be held to revoke or reduce referendum revenue for any specific year and for years thereafter.

(d) The approval of 50 percent plus one of those voting on the question is required to pass a referendum authorized by this subdivision.

(e) At least 15 days before the day of the referendum, the district must submit a copy of the notice required under paragraph (b) to the commissioner and to the county auditor of each county in which the district is located. Within 15 days after the results of the referendum have been certified by the board, or in the case of a recount, the certification of the results of the recount by the canvassing board, the district must notify the commissioner of the results of the referendum.

Sec. 3. Minnesota Statutes 2014, section 205.10, subdivision 1, is amended to read:

Subdivision 1. **Questions.** Special elections may be held in a city or town on a question on which the voters are authorized by law or charter to pass judgment. A special election on a question may only be held on the first Tuesday after the first Monday in November in either an even-numbered or odd-numbered year. A special election may be ordered by the governing body of the municipality on its own motion or, on a question that has not been submitted to the voters in an election within the previous six months, upon a petition signed by a number of voters equal to 20 percent of the votes cast at the last municipal general election. A question is carried only with the majority in its favor required by law or charter. The election officials for a special election shall be the same as for the most recent municipal general election unless changed according to law. Otherwise special elections shall be conducted and the returns made in the manner provided for the municipal general election.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 4. Minnesota Statutes 2014, section 205A.05, subdivision 1, is amended to read:

Subdivision 1. **Questions.** ~~(a)~~ Special elections must be held for a school district on a question on which the voters are authorized by law to pass judgment. The special election on a question may only be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year. The school board may on its own motion call a special election to vote on any matter requiring approval of the voters of a district. Upon petition filed with the school board of 50 or more voters of the school district or five percent of the number of voters voting at the preceding school district general election, whichever is greater, the school board shall by resolution call a special election to vote on any matter requiring approval of the voters of a district. A question is carried only with the majority in its favor required by law. The election officials for a special election are the same as for the most recent school district general election unless changed according to law. Otherwise, special elections must be conducted and the returns made in the manner provided for the school district general election.

~~(b) A special election may not be held:~~

~~(1) during the 56 days before and the 56 days after a regularly scheduled primary or general election conducted wholly or partially within the school district;~~

~~(2) on the date of a regularly scheduled town election in March conducted wholly or partially within the school district; or~~

~~(3) during the 30 days before or the 30 days after a regularly scheduled town election in March conducted wholly or partially within the school district.~~

~~(c) Notwithstanding any other law to the contrary, the time period in which a special election must be conducted under any other law may be extended by the school board to conform with the requirements of this subdivision.~~

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 5. Minnesota Statutes 2014, section 216B.46, is amended to read:

216B.46 MUNICIPAL ACQUISITION PROCEDURES; NOTICE; ELECTION.

Any municipality which desires to acquire the property of a public utility as authorized under the provisions of section 216B.45 may determine to do so by resolution of the governing body of the municipality taken after a public hearing of which at least 30 days' published notice shall be given as determined by the governing body. The determination shall become effective when ratified by a majority of the qualified electors voting on the question at a special election to be held for that purpose~~, not less than 60 nor more than 120 days after the resolution of the governing body of the municipality~~ on the first Tuesday after the first Monday in November in either an even-numbered or odd-numbered year.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 6. Minnesota Statutes 2014, section 237.19, is amended to read:

237.19 MUNICIPAL TELECOMMUNICATIONS SERVICES.

Any municipality shall have the right to own and operate a telephone exchange within its own borders, subject to the provisions of this chapter. It may construct such plant, or purchase an existing plant by agreement with the owner, or where it cannot agree with the owner on price, it may acquire an existing plant by condemnation, as hereinafter provided, but in no case shall a municipality construct or purchase such a plant or proceed to acquire an existing plant by condemnation until such action by it is authorized by a majority of the electors voting upon the proposition at ~~a general~~ an election ~~or a special election called for that purpose~~ held on the first Tuesday after the first Monday in November in either an even-numbered or odd-numbered year, and if the proposal is to construct a new exchange where an exchange already exists, it shall not be authorized to do so unless 65 percent of those voting thereon vote in favor of the undertaking. A municipality that owns and operates a telephone exchange may enter into a joint venture as a partner or shareholder with a telecommunications organization to provide telecommunications services within its service area.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 7. Minnesota Statutes 2014, 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. The notice must clearly state for each city that has a population over 500, county, school district, regional library authority established under section 134.201, and metropolitan taxing districts as defined in paragraph (i), the time and place of a meeting for each taxing authority in which the budget and levy will be discussed and public input allowed, prior to the final budget and levy determination. The taxing authorities must provide the county auditor with the information to be included in the notice on or before the time it certifies its proposed levy under subdivision 1. The public must be allowed to speak at that meeting, which must occur after November 24 and must not be held before 6:00 p.m. It must provide 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, except that no notice required under this section shall be interpreted as requiring the printing of a personal telephone number or address as the contact information for a taxing authority. If a taxing authority does not maintain public offices where telephone calls can be received by the authority, the authority may inform the county of the lack of a public telephone number and the county shall not list a telephone number for that taxing authority.

(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, 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 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~~.~~; and

(4) a statement at the top of the notice stating the following: if a county or city's proposed levy for next year is greater than its actual levy for the current year, the voters may have the right to petition for a referendum on next year's levy certification, according to section 275.80, provided that the final levy that the local government certifies in December of this year is also greater than its levy for the current year.

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 and subdivision 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.

(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 taxes payable in 2016 and thereafter.

Sec. 8. Minnesota Statutes 2014, section 275.07, subdivision 1, is amended to read:

Subdivision 1. **Certification of levy.** (a) Except as provided under paragraph (b), the taxes voted by cities, counties, school districts, and special districts shall be certified by the proper authorities to the county auditor on or before five working days after December 20 in each year. A town must certify the levy adopted by the town board to the county auditor by September 15 each year. If the town board modifies the levy at a special town meeting after September 15, the town board must recertify its levy to the county auditor on or before five working days after December 20. If a city or county levy is subject to a referendum under section 275.80 and the referendum was approved by the voters, the maximum levy certified under this section is the proposed levy certified under section 275.065. If the referendum was not approved, the maximum amount of levy that a city or county may approve under this section is the maximum alternative levy allowed in section 275.80, subdivision 2. The city or county may choose to certify a levy less than the allowed maximum amount. If a city, town, county, school district, or special district fails to certify its levy by that date, its levy shall be the amount levied by it for the preceding year.

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

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

EFFECTIVE DATE. This section is effective for taxes payable in 2016 and thereafter.

Sec. 9. Minnesota Statutes 2014, section 275.60, is amended to read:

275.60 LEVY OR BOND REFERENDUM; BALLOT NOTICE.

(a) Notwithstanding any general or special law or any charter provisions, but subject to section 126C.17, subdivision 9, any question submitted to the voters by any local governmental subdivision at ~~a general or special~~ an election after ~~June 8, 1995~~ June 30, 2015, authorizing a property tax levy or tax rate increase, including the issuance of debt obligations payable in whole or in part from property taxes, must include on the ballot the following notice in boldface type:

"BY VOTING "YES" ON THIS BALLOT QUESTION, YOU ARE VOTING FOR A PROPERTY TAX INCREASE."

(b) For purposes of this section and section 275.61, "local governmental subdivision" includes counties, home rule and statutory cities, towns, school districts, and all special taxing districts. This statement is in addition to any general or special laws or any charter provisions that govern the contents of a ballot question and, in the case of a question on the issuance of debt obligations, may be supplemented by a description of revenues pledged to payment of the obligations that are intended as the primary source of payment.

(c) An election under this section must be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year. This paragraph does not apply to an election on levying a tax or issuing debt obligations to finance the local government's response to a disaster or emergency. An election for these purposes may be held on a date set by the governing body. "Disaster" means a situation that creates an actual or imminent serious threat to the health and safety of persons or a situation that has resulted or is likely to result in catastrophic loss to property or the environment. "Emergency" means an unforeseen combination of circumstances that calls for immediate action to prevent a disaster, identified in the referendum, from developing or occurring.

~~(c)~~ (d) This section does not apply to a school district bond election if the debt service payments are to be made entirely from transfers of revenue from the capital fund to the debt service fund.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 10. **[275.80] LEVY INCREASE; REVERSE REFERENDUM AUTHORIZED.**

Subdivision 1. **Citation.** This section shall be known as the "Property Tax Payers' Empowerment Act."

Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "General levy" means the total levy certified under section 275.07 by the local governmental unit excluding any levy that was approved by the voters at a general or special election.

(c) "Local governmental unit" means a county or a statutory or home rule charter city with a population of 500 or greater.

(d) "Maximum alternative levy" for taxes levied in a current year by a local governmental unit means the sum of (i) its nondebt levy certified two years previous to the current year, and (ii) the amount of its proposed levy for the current year levied for the purposes listed in section 275.70, subdivision 5, clauses (1) to (5).

(e) "Nondebt levy" means the total levy certified under section 275.07 by the local governmental unit, minus any amount levied for the purposes listed in section 275.70, subdivision 5, clauses (1) to (5).

Subd. 3. **Levy increase; reverse referendum authority.** If the certified general levy exceeds the general levy in the previous year, the voters may petition for a referendum on the levy to be certified for the following year. The county auditor must publish information on the right to petition for a referendum as provided in section 276.04, subdivisions 1 and 2. If by June 30, a petition signed by the voters equal in number to ten percent of the votes cast in the last general election requesting a vote on the levy is filed with the county auditor, a question on the levy to be certified for the current year must be placed on the ballot at either the general election or at a special election held on the first Tuesday after the first Monday in November of the current calendar year.

Subd. 4. **Prohibition against new debt before the election.** Notwithstanding any other provision of law, ordinance, or local charter provision, a county or city must not issue any new debt or obligation from the time the petition for referendum is filed with the county auditor under subdivision 3 until the day after the referendum required under this section is held, except as allowed in this subdivision. Refunding bonds and bonds that have already received voter approval are exempt from the prohibition in this subdivision. For purposes of this subdivision, "obligation" has the meaning given in section 475.51, subdivision 3.

Subd. 5. **Ballot question; consequence of the vote.** (a) The question submitted to the voters as required under subdivision 3 shall take the following form:

"The governing body of ..... has imposed the following property tax levy in the last two years and is proposing the following maximum levy increase for the coming year:

(previous payable year)	(current payable year)	(coming payable year)
Total levy	Total levy	Maximum proposed levy
$.......	$.......	$.......

Shall the governing body of ..... be allowed to impose the maximum proposed levy listed above?

Yes ....
No ....

If the majority of votes cast are "no," its maximum allowed property tax levy for the coming year will be reduced to its maximum alternative levy of ...."

(b) If a city is subject to this provision, it will provide the county auditor with information on its proposed levy by September 30 necessary to calculate the maximum alternative levy under subdivision 2.

(c) If the majority of votes cast on this question are in the affirmative, the levy certified by the local governmental unit under section 275.07 must be less than or equal to its proposed levy under section 275.065. If the question does not receive sufficient affirmative votes, the levy amount that the local governmental unit certifies under section 275.07 in the current year must be less than or equal to its maximum alternative levy as defined in subdivision 2.

EFFECTIVE DATE. This section is effective for taxes payable in 2016 and thereafter.

Sec. 11. Minnesota Statutes 2014, section 276.04, subdivision 1, is amended to read:

Subdivision 1. **Auditor to publish rates.** On receiving the tax lists from the county auditor, the county treasurer shall, if directed by the county board, give three weeks' published notice in a newspaper specifying the rates of taxation for all general purposes and the amounts raised for each specific purpose. If a city or county is subject to a petition of the voters due to a general levy increase as provided in section 275.80, the published notice must also include the general levy for the current year and the previous year for that city or county along with the statement in the following form:

"Because the governing body of ...... increased its nonvoter approved levy in the current year, the voters in that jurisdiction have the right to petition for a referendum under section 275.80 on that jurisdiction's levy amount. To invoke the referendum, a petition signed by voters equal to ten percent of the votes cast in the last general election must be filed with the county auditor by June 30 of the current year."

EFFECTIVE DATE. This section is effective for taxes payable in 2016 and thereafter.

Sec. 12. Minnesota Statutes 2014, 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 tax statement must not state or imply that property tax credits are paid by the state of Minnesota. 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 homestead market value exclusion under section 273.13, subdivision 35;

(3) the property's taxable market value under section 272.03, subdivision 15;

(4) the property's gross tax, before credits;

(5) for homestead agricultural properties, the credit under section 273.1384;

(6) any credits received under sections 273.119; 273.1234 or 273.1235; 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit received under section 273.135 must be separately stated and identified as "taconite tax relief"; and

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

(d) If a city or county is subject to a petition of the voters due to a general levy increase as provided in section 275.80, the tax statement must also include the general levy for the current year and the previous year for that city or county along with the following statement:

"Because the governing body of .... increased its nonvoter approved levy in the current year, the voters in that jurisdiction have the right to petition for a referendum on that jurisdiction's levy amount under section 275.80. To invoke the referendum, a petition signed by voters equal to ten percent of the votes cast in the last general election on this issue must be filed with the county auditor by June 30 of the current year."

(e) 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.

EFFECTIVE DATE. This section is effective for taxes payable in 2016 and thereafter.

Sec. 13. Minnesota Statutes 2014, section 412.221, subdivision 2, is amended to read:

Subd. 2. **Contracts.** The council shall have power to make such contracts as may be deemed necessary or desirable to make effective any power possessed by the council. The city may purchase personal property through a conditional sales contract and real property through a contract for deed under which contracts the seller is confined to the remedy of recovery of the property in case of nonpayment of all or part of the purchase price, which shall be payable over a period of not to exceed five years. When the contract price of property to be purchased by contract for deed or conditional sales contract exceeds 0.24177 percent of the estimated market value of the city, the city may not enter into such a contract for at least ten days after publication in the official newspaper of a council resolution determining to purchase property by such a contract; and, if before the end of that time a petition asking for an election on the proposition signed by voters equal to ten percent of the number of voters at the last regular city election is filed with the clerk, the city may not enter into such a contract until the proposition has been approved by a majority of the votes cast on the question at ~~a regular or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 14. Minnesota Statutes 2014, section 412.301, is amended to read:

412.301 FINANCING PURCHASE OF CERTAIN EQUIPMENT.

(a) The council may issue certificates of indebtedness or capital notes subject to the city debt limits to purchase capital equipment.

(b) For purposes of this section, "capital equipment" means:

(1) public safety equipment, ambulance and other medical equipment, road construction and maintenance equipment, and other capital equipment; and

(2) computer hardware and software, whether bundled with machinery or equipment or unbundled, together with application development services and training related to the use of the computer hardware or software.

(c) The equipment or software must have an expected useful life at least as long as the terms of the certificates or notes.

(d) Such certificates or notes shall be payable in not more than ten years and shall be issued on such terms and in such manner as the council may determine.

(e) If the amount of the certificates or notes to be issued to finance any such purchase exceeds 0.25 percent of the estimated market value of taxable property in the city, they shall not be issued for at least ten days after publication in the official newspaper of a council resolution determining to issue them; and if before the end of that time, a petition asking for an election on the proposition signed by voters equal to ten percent of the number of voters at the last regular municipal election is filed with the clerk, such certificates or notes shall not be issued until the proposition of their issuance has been approved by a majority of the votes cast on the question at ~~a regular or special~~ <u>an</u> election <u>held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year</u>.

(f) A tax levy shall be made for the payment of the principal and interest on such certificates or notes, in accordance with section 475.61, as in the case of bonds.

EFFECTIVE DATE. <u>Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.</u>

Sec. 15. <u>**[416.17] VOTER APPROVAL REQUIRED; LEASES OF PUBLIC BUILDINGS.**</u>

<u>Subdivision 1.</u> <u>**Reverse referendum; certain leases.**</u> <u>(a) Before executing a qualified lease, a municipality must publish notice of its intention to execute the lease and the date and time of a hearing to obtain public comment on the matter. The notice must be published in the official newspaper of the municipality or in a newspaper of general circulation in the municipality, must be placed prominently on any official municipality Web site, and must include a statement of the amount of the obligations to be issued by the authority and the maximum amount of annual rent to be paid by the municipality under the qualified lease. The notice must be published at least 14, but not more than 28, days before the date of the hearing.</u>

<u>(b) A municipality may enter a lease subject to paragraph (a) only upon obtaining the approval of a majority of the voters voting on the question of issuing the obligations, if a petition requesting a vote on the issuance is signed by voters equal to five percent of the votes cast in the municipality in the last general election and is filed with the county auditor within 30 days after the public hearing.</u>

<u>Subd. 2.</u> <u>**Definitions.**</u> <u>(a) For purposes of this section, the following terms have the meanings given them.</u>

(b) "Authority" includes any of the following governmental units, the boundaries of which include all or part of the geographic area of the municipality:

(1) a housing and redevelopment authority, as defined in section 469.002;

(2) a port authority, as defined in section 469.048;

(3) an economic development authority, as defined in section 469.090; or

(4) an entity established or exercising powers under a special law with powers similar to those of an entity described in clauses (1) to (3).

(c) "Municipality" means a statutory or home rule charter city, a county, or a town described in section 368.01, but does not include a city of the first class, however organized, as defined in section 410.01.

(d) "Qualified lease" means a lease for use of public land, all or part of a public building, or other public facilities consisting of real property for a term of three or more years as a lessee if the property to be leased to the municipality was acquired or improved with the proceeds of obligations, as defined in section 475.51, subdivision 3, issued by an authority.

Sec. 16. Minnesota Statutes 2014, section 426.19, subdivision 2, is amended to read:

Subd. 2. **Referendum in certain cases.** Before the pledge of any such revenues to the payment of any such bonds, warrants or certificates of indebtedness, except bonds, warrants or certificates of indebtedness to construct, reconstruct, enlarge or equip a municipal liquor store shall be made, the governing body shall submit to the voters of the city the question of whether such revenues shall be so pledged and such pledge shall not be binding on the city until it shall have been approved by a majority of the voters voting on the question at ~~either a general~~ an election ~~or special election called for that purpose~~ held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year. No election shall be required for pledge of such revenues for payment of bonds, warrants or certificates of indebtedness to construct, reconstruct, enlarge or equip a municipal liquor store.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 17. Minnesota Statutes 2014, section 447.045, subdivision 2, is amended to read:

Subd. 2. **Statutory city; on-sale and off-sale store.** If the voters of a statutory city operating an on-sale and off-sale municipal liquor store, at ~~a general or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year, vote in favor of contributing from its liquor dispensary fund toward the construction of a community hospital, the city council may appropriate not more than $60,000 from the fund to any incorporated nonprofit hospital association to build a community hospital in the statutory city. The hospital must be governed by a board including two or more members of the statutory city council and be open to all residents of the statutory city on equal terms. This appropriation must not exceed one-half the total cost of construction of the hospital. The council must not appropriate the money unless the average net earnings of the on-sale and off-sale municipal liquor store have been at least $10,000 for the last five completed fiscal years before the date of the appropriation.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 18. Minnesota Statutes 2014, section 447.045, subdivision 3, is amended to read:

Subd. 3. **Statutory city; off-sale or on- and off-sale store.** (a) If a statutory city operates an off-sale, or an on- and off-sale municipal liquor store it may provide for a vote at ~~a general or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year on the question of contributing from the city liquor dispensary fund to build, maintain, and operate a community hospital. If the vote is in favor, the city council may appropriate money from the fund to an incorporated hospital association for a period of four years. The appropriation must be from the net profits or proceeds of the municipal liquor store. It must not exceed $4,000 a year for hospital construction and maintenance or $1,000 a year for operation. The hospital must be open to all residents of the community on equal terms.

(b) The council must not appropriate the money unless the average net earnings of the off-sale, or on- and off-sale municipal liquor store have been at least $8,000 for the last two completed years before the date of the appropriation.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 19. Minnesota Statutes 2014, section 447.045, subdivision 4, is amended to read:

Subd. 4. **Fourth class city operating store.** If a city of the fourth class operates a municipal liquor store, it may provide for a vote at ~~a general or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year on the question of contributing from the profit in the city liquor dispensary fund to build, equip, and maintain a community hospital within the city limits. If the vote is in favor, the city council may appropriate not more than $200,000 from profits in the fund for the purpose. The hospital must be open to all residents of the city on equal terms.

The city may issue certificates of indebtedness in anticipation of and payable only from profits from the operation of municipal liquor stores.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 20. Minnesota Statutes 2014, section 447.045, subdivision 6, is amended to read:

Subd. 6. **Statutory city; fourth class.** If a fourth class statutory city operates a municipal liquor store, it may provide for a vote at ~~a general or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year on the question of contributing from the city liquor dispensary fund not more than $15,000 a year for five years to build and maintain a community hospital. If the vote is in favor the council may appropriate the money from the fund to an incorporated community hospital association in the city.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 21. Minnesota Statutes 2014, section 447.045, subdivision 7, is amended to read:

Subd. 7. **Statutory city; any store.** If a statutory city operates a municipal liquor store, it may provide for a vote at ~~a general or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year on the question of contributing from the statutory city liquor dispensary fund toward the acquisition, construction, improvement, maintenance, and operation of a community hospital. If the vote is in favor, the council may appropriate money from time to time out of the net profits or proceeds of the municipal liquor store to an incorporated nonprofit hospital association in the statutory city. The hospital association must be governed by a board of directors elected by donors of $50 or more, who each have one vote. The hospital must be open to all residents of the community on equal terms.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 22. Minnesota Statutes 2014, section 452.11, is amended to read:

452.11 SUBMISSION TO VOTERS.

No city of the first class shall acquire or construct any public utility under the terms of sections 452.08 to 452.13 unless the proposition to acquire or construct same has first been submitted to the qualified electors of the city at a ~~general~~ city election ~~or at a special election called for that purpose,~~ held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year and has been approved by a majority vote of all electors voting upon the proposition.

The question of issuing public utility certificates as provided in section 452.09 may, at the option of the council, be submitted at the same election as the question of the acquisition or construction of the public utility.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 23. Minnesota Statutes 2014, section 455.24, is amended to read:

455.24 SUBMISSION TO VOTERS.

Before incurring any expense under the powers conferred by section 455.23, the approval of the voters of the city shall first be had at ~~a general or special~~ an election held ~~therein~~ on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year. If a majority of the voters of the city participating at the election shall vote in favor of the construction of the system of poles, wires and cables herein authorized to be made, the council shall proceed with the construction.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 24. Minnesota Statutes 2014, section 455.29, is amended to read:

455.29 MUNICIPALITIES MAY EXTEND ELECTRIC SERVICE.

Except as otherwise restricted by chapter 216B, the governing body, or the commission or board charged with the operation of the public utilities, if one exists therein, of any municipality in the state owning and operating an electric light and power plant for the purpose of the manufacture and sale of electrical power or for the purchase and redistribution of electrical power, may, upon a two-thirds vote of the governing body, or the commission or board, in addition to all other powers now possessed by such municipality, sell electricity to customers, singly or collectively, outside of such municipality, within the state but not to exceed a distance of 30 miles from the corporate limits of the municipality. Before any municipality shall have the power to extend its lines and sell electricity outside of the municipality as provided by sections 455.29 and

455.30, the governing body shall first submit to the voters of the municipality, at ~~a general or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year, the general principle of going outside the municipality and fixing the maximum amount of contemplated expenditures reasonably expected to be made for any and all extensions then or thereafter contemplated. Three weeks' published notice shall be given of such election as required by law, and if a majority of those voting upon the proposition favors the same, then the municipality shall thereafter be considered as having chosen to enter the general business of extending its electric light and power facilities beyond the corporate limits of the municipality. It shall not be necessary to submit to a vote of the people the question of any specific enlargement, extension, or improvement of any outside lines; provided the voters of the municipality have generally elected to exercise the privileges afforded by sections 455.29 and 455.30, and, provided, that each and any specific extension, enlargement, or improvement project is within the limit of the maximum expenditure authorized at the election. In cities operating under a home rule charter, where a vote of the people is not now required in order to extend electric light and power lines, no election shall be required under the provisions of any act. At any election held to determine the attitude of the voters upon this principle, the question shall be simply stated upon the ballot provided therefor, and shall be substantially in the following form: "Shall the city of .... undertake the general proposition of extending its electric light and power lines beyond the limits of the municipality, and limit the maximum expenditures for any and all future extensions to the sum of $...................?" For this purpose every municipality is authorized and empowered to extend the lines, wires, and fixtures of its plant to such customers and may issue certificates of indebtedness therefor in an amount not to exceed the actual cost of the extensions and for a term not to exceed the reasonable life of the extensions. These certificates of indebtedness shall in no case be made a charge against the municipality, but shall be payable and paid out of current revenues of the plant other than taxes.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 25. Minnesota Statutes 2014, section 459.06, subdivision 1, is amended to read:

Subdivision 1. **Accept donations.** Any county, city, or town may by resolution of its governing body accept donations of land that the governing body deems to be better adapted for the production of timber and wood than for any other purpose, for a forest, and may manage it on forestry principles. The donor of not less than 100 acres of any such land shall be entitled to have the land perpetually bear the donor's name. The governing body of any city or town, when funds are available or have been levied therefor, may, when authorized by a majority vote by ballot of the voters voting at any ~~general or special~~ city election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year or the annual town meeting where the question is properly submitted, purchase or obtain by condemnation proceedings, and preferably at the sources of streams, any tract of land for a forest which is better adapted for the production of timber and wood than for any other purpose, and which is conveniently located for the purpose, and manage it on forestry principles. The city or town may annually levy a tax on all taxable property within its boundaries to procure and maintain such forests.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 26. Minnesota Statutes 2014, section 469.053, subdivision 5, is amended to read:

Subd. 5. **Reverse referendum.** A city may increase its levy for port authority purposes under subdivision 4 only as provided in this subdivision. Its city council must first pass a resolution stating the proposed amount of levy increase. The city must then publish the resolution together with a notice of public hearing on the resolution for two successive weeks in its official newspaper or, if none exists, in a newspaper of general circulation in the city. The hearing must be held two to four weeks after the first publication. After the hearing, the city council may decide to take no action or may adopt a resolution authorizing the proposed increase or a lesser increase. A resolution authorizing an increase must be published in the city's official newspaper or, if none exists, in a newspaper of general circulation in the city. The resolution is not effective if a petition requesting a referendum on the resolution is filed with the city clerk within 30 days of publication of the resolution. The petition must be signed by voters equaling five percent of the votes cast in the city in the last general election. The resolution is effective if approved by a majority of those voting on the question. The commissioner of revenue shall prepare a suggested form of referendum question. The referendum must be held at ~~a special or general~~ an election ~~before October 1 of the year for which the levy increase is proposed~~ conducted on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year. If approved by the voters, the levy increase may take effect no sooner than the next calendar year.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 27. Minnesota Statutes 2014, section 469.0724, is amended to read:

469.0724 GENERAL OBLIGATION BONDS.

The port authority of Cannon Falls or Redwood Falls must not proceed with the sale of general obligation tax-supported bonds until the city council by resolution approves the proposed issuance. The resolution must be published in the official newspaper. If, within 30 days after the publication, a petition signed by voters equal in number to ten percent of the number of voters at the last regular city election is filed with the city clerk, the city and port authority must not issue the general obligation tax-supported bonds until the proposition has been approved by a majority of the votes cast on the question at ~~a regular or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.

EFFECTIVE DATE. This section is effective for the city of Cannon Falls and the city of Redwood Falls the day after the governing body and chief clerical officer of the city timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 28. Minnesota Statutes 2014, section 469.107, subdivision 2, is amended to read:

Subd. 2. **Reverse referendum.** A city may increase its levy for economic development authority purposes under subdivision 1 in the following way. Its city council must first pass a resolution stating the proposed amount of levy increase. The city must then publish the resolution together with a notice of public hearing on the resolution for two successive weeks in its official newspaper or if none exists in a newspaper of general circulation in the city. The hearing must be held two to four weeks after the first publication. After the hearing, the city council may decide to take no action or may adopt a resolution authorizing the proposed increase or a lesser increase. A resolution authorizing an increase must be published in the city's official newspaper or if none exists in a newspaper of general circulation in the city. The resolution is not effective if a petition requesting a referendum on the resolution is filed with the city clerk within 30 days of publication of the resolution. The petition must be signed by voters equaling five percent of the votes cast in the city in the last general election. The election must be held at ~~a general or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year. Notice of the election must be given in the manner required by law. The notice must state the purpose and amount of the levy.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 29. Minnesota Statutes 2014, section 469.190, subdivision 1, is amended to read:

Subdivision 1. **Authorization.** Notwithstanding section 477A.016 or any other law, a statutory or home rule charter city may by ordinance, and a town may by the affirmative vote of the electors at the annual town meeting, ~~or at a special town meeting,~~ impose a tax of up to three percent on the gross receipts from the furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or resort, other than the renting or leasing of it for a continuous period of 30 days or more. A statutory or home rule charter city may by ordinance impose the tax authorized under this subdivision on the camping site receipts of a municipal campground.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 30. Minnesota Statutes 2014, section 469.190, subdivision 5, is amended to read:

Subd. 5. **Reverse referendum.** If the county board passes a resolution under subdivision 4 to impose the tax, the resolution must be published for two successive weeks in a newspaper of general circulation within the unorganized territory, together with a notice fixing a date for a public hearing on the proposed tax.

The hearing must be held not less than two weeks nor more than four weeks after the first publication of the notice. After the public hearing, the county board may determine to take no further action, or may adopt a resolution authorizing the tax as originally proposed or approving a lesser rate of tax. The resolution must be published in a newspaper of general circulation within the unorganized territory. The voters of the unorganized territory may request a referendum on the proposed tax by filing a petition with the county auditor within 30 days after the resolution is published. The petition must be signed by voters who reside in the unorganized territory. The number of signatures must equal at least five percent of the number of persons voting in the unorganized territory in the last general election. If such a petition is timely filed, the resolution is not effective until it has been submitted to the voters residing in the unorganized territory at ~~a general or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year and a majority of votes cast on the question of approving the resolution are in the affirmative. The commissioner of revenue shall prepare a suggested form of question to be presented at the referendum.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 31. Minnesota Statutes 2014, section 471.57, subdivision 3, is amended to read:

Subd. 3. **May use fund for other purposes upon vote.** The council of any municipality which has established a public works reserve fund by an ordinance designating the specific improvement or type of capital improvement for which the fund may be used may submit to the voters of the municipality at ~~any regular or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year the question of using the fund for some other purpose. If a majority of the votes cast on the question are in favor of such diversion from the original purpose of the fund, it may be used for any purpose so approved by the voters.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 32. Minnesota Statutes 2014, section 471.571, subdivision 3, is amended to read:

Subd. 3. **Expenditure from fund, limitation.** No expenditure for any one project in excess of 60 percent of one year's levy or $25,000, whichever is greater, may be made from such permanent improvement or replacement fund in any year without first obtaining the approval of a majority of the voters voting at a ~~general or special~~ municipal election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year at which the question of making such expenditure has been submitted. In submitting any proposal to the voters for approval, the amount proposed to be spent and the purpose thereof shall be stated in the proposal submitted. The proceeds of such levies may be pledged for the payment of any bonds issued pursuant to law for any purposes authorized hereby and annual payments upon such bonds or interest may be made without additional authorization.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 33. Minnesota Statutes 2014, section 471.572, subdivision 2, is amended to read:

Subd. 2. **Tax levy.** The governing body of a city may establish, by a two-thirds vote of all its members, by ordinance or resolution a reserve fund and may annually levy a property tax for the support of the fund. The proceeds of taxes levied for its support must be paid into the reserve fund. Any other revenue from a source not required by law to be paid into another fund for purposes other than those provided for the use of the reserve fund may be paid into the fund. Before a tax is levied under this section, the city must publish in the official newspaper of the city an initial resolution authorizing the tax levy. If within ten days after the publication a petition is filed with the city clerk requesting an election on the tax levy signed by a number of qualified voters greater than ten percent of the number who voted in the city at the last general election, the tax may not be levied until the levy has been approved by a majority of the votes cast on it at ~~a regular or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 34. Minnesota Statutes 2014, section 471.572, subdivision 4, is amended to read:

Subd. 4. **Use of fund for a specific purpose.** If the city has established a reserve fund, it may submit to the voters at ~~a regular or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year the question of whether use of the fund should be restricted to a specific improvement or type of capital improvement. If a majority of the votes cast on the question are in favor of the limitation on the use of the reserve fund, it may be used only for the purpose approved by the voters.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 35. Minnesota Statutes 2014, section 475.59, is amended to read:

475.59 MANNER OF SUBMISSION; NOTICE.

Subdivision 1. **Generally; notice.** When the governing body of a municipality resolves to issue bonds for any purpose requiring the approval of the electors, it shall provide for submission of the proposition of their issuance at a general or special election or town or school district meeting. Notice of such election or meeting shall be given in the manner required by law and shall state the maximum amount and the purpose of the proposed issue. In any school district, the school board or board of education may, according to its judgment and discretion, submit as a single ballot question or as two or more separate questions in the notice of election and ballots the proposition of their issuance for any one or more of the following, stated conjunctively or in the alternative: acquisition or enlargement of sites, acquisition, betterment, erection, furnishing, equipping of one or more new schoolhouses, remodeling, repairing, improving, adding to, betterment, furnishing, equipping of one or more existing schoolhouses. In any city, town, or county, the governing body may, according to its judgment and discretion, submit as a single ballot question or as two or more separate questions in the notice of election and ballots the proposition of their issuance, stated conjunctively or in the alternative, for the acquisition, construction, or improvement of any facilities at one or more locations.

Subd. 2. **Election date.** An election to approve issuance of bonds under this section held by a municipality other than a town, must be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year. An election under this section held by a town may be held on the same day as the annual town meeting or on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.

Subd. 3. **Special laws.** If a referendum on the issuance of bonds or other debt obligations authorized in a special law is required, it must be held on a date as provided in subdivision 2, notwithstanding any provision in the special law authorizing the referendum to be held at any other time.

Subd. 4. **Exception for disaster or emergency.** Subdivisions 2 and 3, and any other law requiring an election to approve issuance of bonds or other debt obligations to be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year, do not apply to issuance of bonds or other debt obligations to finance the municipality's response to an emergency or disaster. "Disaster" means a situation that creates an actual or imminent serious threat to the health and safety of persons or a situation that has resulted or is likely to result in catastrophic loss to property or the environment. "Emergency" means an unforeseen combination of circumstances that calls for immediate action to prevent a disaster identified in the referendum from developing or occurring.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

Sec. 36. **REPEALER.**

Minnesota Statutes 2014, section 205.10, subdivision 3, is repealed.

EFFECTIVE DATE. Except as otherwise provided, this act is effective August 1, 2015, and applies to any referendum authorized on or after that date.

ARTICLE 3

PROPERTY TAXES

Section 1. Minnesota Statutes 2014, section 40A.18, subdivision 2, is amended to read:

Subd. 2. **Allowed commercial and industrial operations.** Commercial and industrial operations are not allowed on land within an agricultural preserve except:

(1) small on-farm commercial or industrial operations normally associated with and important to farming in the agricultural preserve area;

(2) storage use of existing farm buildings that does not disrupt the integrity of the agricultural preserve; ~~and~~

(3) small commercial use of existing farm buildings for trades not disruptive to the integrity of the agricultural preserve such as a carpentry shop, small scale mechanics shop, and similar activities that a farm operator might conduct~~.~~; and

(4) wireless communication installments and related equipment and structure capable of providing technology potentially beneficial to farming activities.

"Existing" in clauses (2) and (3) means existing on August 1, 1989.

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

Sec. 2. Minnesota Statutes 2014, section 273.072, is amended by adding a subdivision to read:

Subd. 7. **Termination of local assessor's office by town vote.** (a) A town or township may elect at its annual meeting to enter into a joint assessment agreement with the county in which the town or township is wholly or partially situated, for purposes of providing assessments under this section. The county to which assessment duties have thereto been transferred shall enter into an agreement with the electing town or township under terms negotiated with the town or township, or, if such terms cannot be mutually determined, on terms pursuant to the county's authority under this chapter.

(b) If after electing to enter into a joint assessment agreement under paragraph (a), the town or township determines that the interests of the town or township may be better served through valuation by local assessors, it may, at its annual meeting, revoke the election. Revocation under this paragraph may not be made within four years after the election in paragraph (a). A revocation under this paragraph is effective at the second assessment date following the revocation. The office of the town or township assessor shall be filled as provided by charter or law 90 days before the effective date of the revocation.

EFFECTIVE DATE. This section is effective July 1, 2015.

Sec. 3. Minnesota Statutes 2014, 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 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 agricultural property consists of at least 40 acres including undivided government lots and correctional 40's;

(2) the owner, the owner's spouse, or a grandchild, child, sibling, or parent of the owner or of 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;

(3) both the owner of the agricultural property and the person who is actively farming the agricultural property under clause (2), are Minnesota residents;

(4) neither the owner nor the spouse of the owner claims another agricultural homestead in Minnesota; and

(5) neither the owner nor the person actively farming the agricultural property lives farther than four townships or cities, or a combination of four townships or cities, from the agricultural property, 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 from the agricultural property.

The relationship under this paragraph may be either by blood or marriage.

(ii) Agricultural 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.

(iv) As used in this paragraph, "agricultural property" means class 2a property and any class 2b property that is contiguous to and under the same ownership as the class 2a property.

(c) Agricultural property 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 agricultural property consists of at least 40 acres, including undivided government lots and correctional 40's;

(2) the owner or the owner's spouse actively farmed the agricultural property for at least ten years, either on the owner'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 owner is a partner, shareholder, or member;

(3) the owner of the agricultural property is a Minnesota resident;

(4) neither the owner nor the spouse of the owner claims another agricultural homestead in Minnesota; and

(5) the owner lives no farther than four townships or cities, or a combination of four townships or cities, from the agricultural property, except that if the owner or the owner's spouse is required to live in employer-provided housing, the owner or owner's spouse may live more than four townships or cities, or combination of four townships or cities, from the agricultural property.

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

~~(d)~~ (e) 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)~~ (f) 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)~~ (g) 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)~~ (h) Agricultural property 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;

(2) a shareholder, member, or partner of that entity is actively farming the agricultural property;

(3) that shareholder, member, or partner who is actively farming the agricultural property is a Minnesota resident;

(4) neither that shareholder, member, or partner, nor the spouse of that shareholder, member, or partner claims another agricultural homestead in Minnesota; and

(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.

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)~~ (i) 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 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.

~~(i)~~ (j) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 2007 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 the August 2007 floods;

(2) the property is located in the county of Dodge, Fillmore, Houston, Olmsted, Steele, Wabasha, or Winona;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 2007 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 the August 2007 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in homestead dwelling. For taxes payable in 2009, the owner must notify the assessor by December 1, 2008. 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.

~~(j)~~ (k) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 2008 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 March 2009 floods;

(2) the property is located in the county of Marshall;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 2008 assessment year and continue to be used for agricultural purposes;

(4) the dwelling occupied by the owner is located in Minnesota 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 the 2009 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.

EFFECTIVE DATE. This section is effective beginning with assessment year 2015.

Sec. 4. Minnesota Statutes 2014, section 273.13, subdivision 23, is amended to read:

Subd. 23. **Class 2.** (a) An agricultural homestead consists of class 2a agricultural land that is homesteaded, along with any class 2b rural vacant land that is contiguous to the class 2a land under the same ownership. The market value of the house and garage and immediately surrounding one acre of land has the same classification rates as class 1a or 1b 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 classification rate of 0.5 percent of market value. The remaining property over the first tier has a classification 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 2a agricultural land consists of parcels of property, or portions thereof, that are agricultural land and buildings. Class 2a property has a classification rate of one percent of market value, unless it is part of an agricultural homestead under paragraph (a). Class 2a property must also include any property that would otherwise be classified as 2b, but is interspersed with class 2a property, including but not limited to sloughs, wooded wind shelters, acreage abutting ditches, ravines, rock piles, land subject to a setback requirement, and other similar land that is impractical for the assessor to value separately from the rest of the property or that is unlikely to be able to be sold separately from the rest of the property.

An assessor may classify the part of a parcel described in this subdivision that is used for agricultural purposes as class 2a and the remainder in the class appropriate to its use.

(c) Class 2b rural vacant land consists of parcels of property, or portions thereof, that are unplatted real estate, rural in character and not used for agricultural purposes, including land used for growing trees for timber, lumber, and wood and wood products, that is not improved with a structure. The presence of a minor, ancillary nonresidential structure as defined by the commissioner of revenue does not disqualify the property from classification under this paragraph. Any parcel of 20 acres or more improved with a structure that is not a minor, ancillary nonresidential structure must be split-classified, and ten acres must be assigned to the split parcel containing the structure. Class 2b property has a classification rate of one percent of market value unless it is part of an agricultural homestead under paragraph (a), or qualifies as class 2c under paragraph (d).

(d) Class 2c managed forest land consists of no less than 20 and no more than 1,920 acres statewide per taxpayer that is being managed under a forest management plan that meets the requirements of chapter 290C, but is not enrolled in the sustainable forest resource management incentive program. It has a classification rate of .65 percent, provided that the owner of the property must apply to the assessor in order for the property to initially qualify for the reduced rate and provide the information required by the assessor to verify that the property qualifies for the reduced rate. If the assessor receives the application and information before May 1 in an assessment year, the property qualifies beginning with that assessment year. If the assessor receives the application and information after April 30 in an assessment year, the property may not qualify until the next assessment year. The commissioner of natural resources must concur that the land is qualified. The commissioner of natural resources shall annually provide county assessors verification information on a timely basis. The presence of a minor, ancillary nonresidential structure as defined by the commissioner of revenue does not disqualify the property from classification under this paragraph.

(e) Agricultural land as used in this section means:

(1) contiguous acreage of ten acres or more, used during the preceding year for agricultural purposes; or

(2) contiguous acreage used during the preceding year for an intensive livestock or poultry confinement operation, provided that land used only for pasturing or grazing does not qualify under this clause.

"Agricultural purposes" as used in this section means the raising, cultivation, drying, or storage of agricultural products for sale, or the storage of machinery or equipment used in support of agricultural production by the same farm entity. For a property to be classified as agricultural based only on the drying or storage of agricultural products, the products being dried or stored must have been produced by the same farm entity as the entity operating the drying or storage facility. "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 or a similar state or federal conservation program if the property was classified as agricultural (i) under this subdivision for taxes payable in 2003 because of its enrollment in a qualifying program and the land remains enrolled or (ii) in the year prior to its enrollment. Agricultural classification shall not be based upon the market value of any residential structures on the parcel or contiguous parcels under the same ownership.

"Contiguous acreage," for purposes of this paragraph, means all of, or a contiguous portion of, a tax parcel as described in section 272.193, or all of, or a contiguous portion of, a set of contiguous tax parcels under that section that are owned by the same person.

(f) Agricultural land under this section also includes:

(1) contiguous acreage that is less than ten acres in size and exclusively used in the preceding year for raising or cultivating agricultural products; or

(2) contiguous acreage that contains a residence and is less than 11 acres in size, if the contiguous acreage exclusive of the house, garage, and surrounding one acre of land was used in the preceding year for one or more of the following three uses:

(i) for an intensive grain drying or storage operation, or for intensive machinery or equipment storage activities used to support agricultural activities on other parcels of property operated by the same farming entity;

(ii) as a nursery, provided that only those acres used intensively to produce nursery stock are considered agricultural land; or

(iii) for intensive market farming; for purposes of this paragraph, "market farming" means the cultivation of one or more fruits or vegetables or production of animal or other agricultural products for sale to local markets by the farmer or an organization with which the farmer is affiliated.

"Contiguous acreage," for purposes of this paragraph, means all of a tax parcel as described in section 272.193, or all of a set of contiguous tax parcels under that section that are owned by the same person.

(g) 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.

(h) 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.

(i) 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, which may include related horse training and riding instruction, if the boarding is done on property that is also used for raising pasture to graze horses or raising or cultivating other 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 (i) on a game farm licensed under section 97A.105, provided that the annual licensing report to the Department of Natural Resources, which must be submitted annually by March 30 to the assessor, indicates that at least 500 birds were raised or used for breeding stock on the property during the preceding year and that the owner provides a copy of the owner's most recent schedule F; or (ii) 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, including short rotation woody crops, 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<u>; and</u>

<u>(9) wine produced by a farm winery licensed under section 340A.315</u>.

(j) 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.

(k) 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.

(l) Class 2d airport landing area consists of a landing area or public access area of a privately owned public use airport. It has a classification rate of one percent of market value. To qualify for classification under this paragraph, a privately owned public use airport must be licensed as a public airport under section 360.018. For purposes of this paragraph, "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 this paragraph 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 this paragraph. For purposes of this paragraph, "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.

(m) Class 2e consists of land with a commercial aggregate deposit that is not actively being mined and is not otherwise classified as class 2a or 2b, provided that the land is not located in a county that has elected to opt-out of the aggregate preservation program as provided in section 273.1115, subdivision 6. It has a classification rate of one percent of market value. To qualify for classification under this paragraph, the property must be at least ten contiguous acres in size and the owner of the property must record with the county recorder of the county in which the property is located an affidavit containing:

(1) a legal description of the property;

(2) a disclosure that the property contains a commercial aggregate deposit that is not actively being mined but is present on the entire parcel enrolled;

(3) documentation that the conditional use under the county or local zoning ordinance of this property is for mining; and

(4) documentation that a permit has been issued by the local unit of government or the mining activity is allowed under local ordinance. The disclosure must include a

statement from a registered professional geologist, engineer, or soil scientist delineating the deposit and certifying that it is a commercial aggregate deposit.

For purposes of this section and section 273.1115, "commercial aggregate deposit" means a deposit that will yield crushed stone or sand and gravel that is suitable for use as a construction aggregate; and "actively mined" means the removal of top soil and overburden in preparation for excavation or excavation of a commercial deposit.

(n) When any portion of the property under this subdivision or subdivision 22 begins to be actively mined, the owner must file a supplemental affidavit within 60 days from the day any aggregate is removed stating the number of acres of the property that is actively being mined. The acres actively being mined must be (1) valued and classified under subdivision 24 in the next subsequent assessment year, and (2) removed from the aggregate resource preservation property tax program under section 273.1115, if the land was enrolled in that program. Copies of the original affidavit and all supplemental affidavits must be filed with the county assessor, the local zoning administrator, and the Department of Natural Resources, Division of Land and Minerals. A supplemental affidavit must be filed each time a subsequent portion of the property is actively mined, provided that the minimum acreage change is five acres, even if the actual mining activity constitutes less than five acres.

(o) The definitions prescribed by the commissioner under paragraphs (c) and (d) are not rules and are exempt from the rulemaking provisions of chapter 14, and the provisions in section 14.386 concerning exempt rules do not apply.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2016.

Sec. 5. Minnesota Statutes 2014, 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 classification 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) unimproved property that is classified residential as determined under subdivision 33.

The market value of class 4b property has a classification rate of 1.25 percent.

(c) Class 4bb includes nonhomestead residential real estate containing one unit, other than seasonal residential recreational property, and a single family dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b).

Class 4bb property has the same classification rates as class 1a property under subdivision 22.

Property that has been classified as seasonal residential recreational property at any time during which it has been owned by the current owner or spouse of the current owner does not qualify for class 4bb.

(d) Class 4c property includes:

(1) except as provided in subdivision 22, paragraph (c), real and personal property devoted to commercial temporary and seasonal residential occupancy for recreation purposes, for not 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 under this clause 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. A camping pad offered for rent by a property that otherwise qualifies for class 4c under this clause is also class 4c under this clause 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 under this clause, either (i) the business located on the property must provide recreational activities, 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 (A) 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 (B) at least 20 percent of the annual gross receipts must be from charges for providing recreational activities, or (ii) the business must contain 20 or fewer rental units, and must be located in a township or a city with a population of 2,500 or less located outside the metropolitan area, as defined under section 473.121, subdivision 2, that contains a portion of a state trail administered by the Department of Natural Resources. For purposes of item (i)(A), a paid booking of five or

more nights shall be counted as two bookings. Class 4c property also includes commercial use real property used exclusively for recreational purposes in conjunction with other class 4c property classified under this clause and 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. In order for a property to qualify for classification under this clause, the owner 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 class 4c under this clause 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 4c property under this clause must provide guest registers or other records demonstrating that the units for which class 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 (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 4c. For the purposes of this paragraph, "recreational activities" means renting ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; providing marina services, launch services, or guide services; or selling bait and fishing tackle;

(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 three acres of land owned and used by a nonprofit community service oriented organization and not used for residential purposes on either a temporary or permanent basis, provided that:

(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; 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), (8), (10), or (19) of the Internal Revenue Code; 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 not qualifying under either item (i) or (ii) is 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)(i) manufactured home parks as defined in section 327.14, subdivision 3, excluding manufactured home parks described in section 273.124, subdivision 3a, and (ii) manufactured home parks as defined in section 327.14, subdivision 3, that are described in section 273.124, subdivision 3a;

(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;

(10) real property up to a maximum of three acres and operated as a restaurant as defined under section 157.15, subdivision 12, provided it: (i) is located on a lake as defined under section 103G.005, subdivision 15, paragraph (a), clause (3); and (ii) is either

devoted to commercial purposes for not more than 250 consecutive days, or receives at least 60 percent of its annual gross receipts from business conducted during four consecutive months. Gross receipts from the sale of alcoholic beverages must be included in determining the property's qualification under item (ii). The property's primary business must be as a restaurant and not as a bar. Gross receipts from gift shop sales located on the premises must be excluded. Owners of real property desiring 4c classification under this clause must submit an annual declaration to the assessor by February 1 of the current assessment year, based on the property's relevant information for the preceding assessment year;

(11) lakeshore and riparian property and adjacent land, not to exceed six acres, used as a marina, as defined in section 86A.20, subdivision 5, which is made accessible to the public and devoted to recreational use for marina services. The marina owner must annually provide evidence to the assessor that it provides services, including lake or river access to the public by means of an access ramp or other facility that is either located on the property of the marina or at a publicly owned site that abuts the property of the marina. No more than 800 feet of lakeshore may be included in this classification. Buildings used in conjunction with a marina for marina services, including but not limited to buildings used to provide food and beverage services, fuel, boat repairs, or the sale of bait or fishing tackle, are classified as class 3a property; and

(12) real and personal property devoted to noncommercial temporary and seasonal residential occupancy for recreation purposes.

Class 4c property has a classification rate of 1.5 percent of market value, except that (i) each parcel of noncommercial seasonal residential recreational property under clause (12) has the same classification rates as class 4bb property, (ii) manufactured home parks assessed under clause (5), item (i), have the same classification rate as class 4b property, and the market value of manufactured home parks assessed under clause (5), item (ii), has a classification rate of 0.75 percent if more than 50 percent of the lots in the park are occupied by shareholders in the cooperative corporation or association and a classification rate of one percent if 50 percent or less of the lots are so occupied, (iii) commercial-use seasonal residential recreational property and marina recreational land as described in clause (11), has a classification 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 classification rate of one percent, (v) the market value of property described in clauses (2), (6), and (10) has a classification 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 classification rate of 1.25 percent<u>. For taxes payable in 2016 through 2025,</u>

property qualifying for classification under clause (3) that is owned or operated by a congressionally chartered veterans organization has a classification rate of one 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.

(f) The first tier of market value of class 4d property has a classification rate of 0.75 percent. The remaining value of class 4d property has a classification rate of 0.25 percent. For the purposes of this paragraph, the "first tier of market value of class 4d property" means the market value of each housing unit up to the first tier limit. For the purposes of this paragraph, all class 4d property value must be assigned to individual housing units. The first tier limit is $100,000 for assessment year 2014. For subsequent years, the limit is adjusted each year by the average statewide change in estimated market value of property classified as class 4a and 4d under this section for the previous assessment year, excluding valuation change due to new construction, rounded to the nearest $1,000, provided, however, that the limit may never be less than $100,000. Beginning with assessment year 2015, the commissioner of revenue must certify the limit for each assessment year by November 1 of the previous year.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2016.

Sec. 6. Minnesota Statutes 2014, section 273.13, subdivision 34, is amended to read:

Subd. 34. **Homestead of disabled veteran or family caregiver.** (a) All or a portion of the market value of property owned by a veteran and serving as the veteran's homestead under this section is excluded in determining the property's taxable market value if the veteran has a service-connected disability of 70 percent or more as certified by the United States Department of Veterans Affairs. 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.

(b)(1) For a disability rating of 70 percent or more, $150,000 of market value is excluded, except as provided in clause (2); and

(2) 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 (2), 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 ~~for the current taxes payable year and for eight additional taxes payable years or~~ until such time as the spouse remarries, or sells, transfers, or otherwise disposes of the property~~, whichever comes first~~. Qualification under this paragraph requires an annual application under paragraph (h).

(d) If the spouse of a member of any branch or unit of the United States armed forces who dies due to a service-connected cause while serving honorably in active service, as indicated on United States Government Form DD1300 or DD2064, holds the legal or beneficial title to a homestead and permanently resides there, the spouse is entitled to the benefit described in paragraph (b), clause (2), ~~for eight taxes payable years, or~~ until such time as the spouse remarries or sells, transfers, or otherwise disposes of the property~~, whichever comes first~~.

(e) If a veteran meets the disability criteria of paragraph (a) but does not own property classified as homestead in the state of Minnesota, then the homestead of the veteran's primary family caregiver, if any, is eligible for the exclusion that the veteran would otherwise qualify for under paragraph (b).

(f) 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.

(g) A property qualifying for a valuation exclusion under this subdivision is not eligible for the market value exclusion under subdivision 35, or classification under subdivision 22, paragraph (b).

(h) 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 (a) and qualifies for the benefit described in paragraph (b), clause (2), and the property continues to qualify until there is a change in ownership. For an application received after July 1 of any calendar year, the exclusion shall become effective for the following assessment year.

(i) A first-time application by a qualifying spouse for the market value exclusion under paragraph (d) must be made any time within two years of the death of the service member.

(j) For purposes of this subdivision:

(1) "active service" has the meaning given in section 190.05;

(2) "own" means that the person's name is present as an owner on the property deed;

(3) "primary family caregiver" means a person who is approved by the secretary of the United States Department of Veterans Affairs for assistance as the primary provider of personal care services for an eligible veteran under the Program of Comprehensive Assistance for Family Caregivers, codified as United States Code, title 38, section 1720G; and

(4) "veteran" has the meaning given the term in section 197.447.

(k) The purpose of this provision of law providing a level of homestead property tax relief for gravely disabled veterans, their primary family caregivers, and their surviving spouses is to help ease the burdens of war for those among our state's citizens who bear those burdens most heavily.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2016.

Sec. 7. Minnesota Statutes 2014, section 274.014, subdivision 2, is amended to read:

Subd. 2. **Appeals and equalization course.** ~~Beginning in 2006, and each year thereafter,~~ (a) There must be at least one member at each meeting of a local board of appeal and equalization who has attended an appeals and equalization course developed or approved by the commissioner within the last four years, as certified by the commissioner. The course may be offered in conjunction with a meeting of the Minnesota League of Cities or the Minnesota Association of Townships. The course content must include, but need not be limited to, a review of the handbook developed by the commissioner under subdivision 1.

(b) The requirement under paragraph (a) does not apply in any year in which the commissioner does not offer in-person training, either:

(1) in conjunction with the Association of Minnesota Townships, reaching at least as many local board members for which training was offered in 2014; or

(2) with at least as many registration openings for local board members for which training was offered in 2014.

(c) The requirement for in-person training under paragraph (b) may be suspended when the Office of Broadband Development certifies to the commissioner that broadband service as defined in section 116J.39 exists in every jurisdiction subject to compliance with this section.

EFFECTIVE DATE. This section is effective June 1, 2015.

Sec. 8. **[274.132] PROPERTY OVERVALUED.**

Subdivision 1. **Tax credit.** Notwithstanding any other provision to the contrary, when the value of a property is reduced by a local, special, or county board of appeal and equalization, or an abatement to correct an error in valuation, a taxpayer shall receive a tax credit in the manner prescribed under subdivision 2.

Subd. 2. **Reduced value tax balance.** (a) When the value of a property is reduced as referenced under subdivision 1, the auditor shall determine the amount of taxes payable for the current year on that property and subtract from that amount the amount of taxes payable for the current year under the property's reduced value to obtain the property's reduced value tax balance, if any. The auditor shall credit the reduced value tax balance against a taxpayer's succeeding year's property taxes due according to the following schedule:

(1) if the reduced value tax balance is less than 25 percent of the succeeding year's total property taxes due, it shall be credited to the taxpayer in the succeeding year; or

(2) if the reduced value tax balance is 25 percent or more of the succeeding year's total property taxes due, it shall be credited to the taxpayer at a rate of 25 percent of the property taxes due per year until paid in full.

Subd. 3. **Settlement.** The reduced value tax balance credit calculated under subdivision 2 shall reduce the tax payable to each jurisdiction in proportion to the total taxes payable on the parcel.

Subd. 4. **Property tax credit runs with the land.** The reduced value tax balance credit determined under subdivision 2 must be applied against taxes due on the property without regard to a change in ownership of the property or a change in the person liable for paying taxes on the property.

EFFECTIVE DATE. This section is effective for appeals, orders, and abatements in 2016 and thereafter.

Sec. 9. Minnesota Statutes 2014, section 275.025, is amended to read:

275.025 STATE GENERAL TAX.

Subdivision 1. **Levy amount.** The state general levy is levied against commercial-industrial property and seasonal residential recreational property, as defined in this section. The state general levy ~~base amount~~ for commercial-industrial property is ~~$592,000,000~~ $599,043,000 for taxes payable in ~~2002~~ 2016. The state general levy for seasonal recreational property is $12,018,000 for taxes payable in 2016. For taxes payable in subsequent years, the levy ~~base amount is increased~~ amounts are reduced each year by ~~multiplying the levy base amount for the prior year by the sum of one plus the rate of increase, if any, in the implicit price deflator for government consumption expenditures~~

~~and gross investment for state and local governments prepared by the Bureau of Economic Analysts of the United States Department of Commerce for the 12-month period ending March 31 of the year prior to the year the taxes are payable~~ 16.7 percent of the payable 2016 amounts. The levy amounts are $0 for taxes payable in 2022 and thereafter. The tax under this section is not treated as a local tax rate under section 469.177 and is not the levy of a governmental unit under chapters 276A and 473F.

The commissioner shall increase or decrease the preliminary or final ~~rate~~ rates for a year as necessary to account for errors and tax base changes that affected a preliminary or final rate for either of the two preceding years. Adjustments are allowed to the extent that the necessary information is available to the commissioner at the time the rates for a year must be certified, and for the following reasons:

(1) an erroneous report of taxable value by a local official;

(2) an erroneous calculation by the commissioner; and

(3) an increase or decrease in taxable value for commercial-industrial or seasonal residential recreational property reported on the abstracts of tax lists submitted under section 275.29 that was not reported on the abstracts of assessment submitted under section 270C.89 for the same year.

The commissioner may, but need not, make adjustments if the total difference in the tax levied for the year would be less than $100,000.

Subd. 2. **Commercial-industrial tax capacity.** For the purposes of this section, "commercial-industrial tax capacity" means the tax capacity of all taxable property classified as class 3 or class 5(1) under section 273.13, ~~except for~~ excluding: (1) the first $500,000 of market value of each parcel of commercial-industrial net tax capacity as defined under section 273.13, subdivision 24, clause (1), (2) electric generation attached machinery under class 3, and (3) property described in section 473.625. County commercial-industrial tax capacity amounts are not adjusted for the captured net tax capacity of a tax increment financing district under section 469.177, subdivision 2, the net tax capacity of transmission lines deducted from a local government's total net tax capacity under section 273.425, or fiscal disparities contribution and distribution net tax capacities under chapter 276A or 473F. For purposes of this subdivision, the procedures for determining eligibility for tier 1 under section 273.13, subdivision 24, clause (1), shall apply in determining the portion of a property eligible to be considered within the first $500,000 of market value.

Subd. 3. **Seasonal residential recreational tax capacity.** For the purposes of this section, "seasonal residential recreational tax capacity" means the tax capacity of tier III of class 1c under section 273.13, subdivision 22, and all class 4c(1), 4c(3)(ii), and 4c(12) property under section 273.13, subdivision 25, ~~except that~~ excluding the first ~~$76,000~~ $250,000 of market value of each noncommercial class 4c(12) property ~~has a tax capacity for this purpose equal to 40 percent of its tax capacity under section 273.13~~.

Subd. 4. **Apportionment and levy of state general tax.** ~~Ninety-five percent of~~ The state general tax must be levied by applying a uniform rate to all commercial-industrial tax capacity and ~~five percent of the state general tax must be levied by applying~~ a uniform rate to all seasonal residential recreational tax capacity. On or before October 1 each year, the commissioner of revenue shall certify the preliminary state general levy rates to each county auditor that must be used to prepare the notices of proposed property taxes for taxes payable in the following year. By January 1 of each year, the commissioner shall certify the final state general levy ~~rate~~ rates to each county auditor that shall be used in spreading taxes.

Subd. 5. **Underserved municipalities distribution.** (a) Any municipality that:

(1) lies wholly or partially within the metropolitan area as defined under section 473.121, subdivision 2, but outside the transit taxing district as defined under section 473.446, subdivision 2; and

(2) has a net fiscal disparities contribution equal to or greater than eight percent of its total taxable net tax capacity,

is eligible for a distribution from the proceeds of the state general levy imposed on taxpayers within the municipality.

(b) The distribution is equal to (1) the municipality's net tax capacity tax rate, times (2) the municipality's net fiscal disparities contribution in excess of eight percent of its total taxable net tax capacity; provided, however, that the distribution may not exceed the tax under this section imposed on taxpayers within the municipality.

(c) The distribution under this subdivision must be paid to the qualifying municipality at the same time taxes are settled under sections 276.09 to 276.111.

(d) For purposes of this subdivision, the following terms have the meanings given.

(1) "Municipality" means a home rule or statutory city, or a town, except that in the case of a city that lies only partially within the metropolitan area, municipality means the portion of the city lying within the metropolitan area.

(2) "Net fiscal disparities contribution" means a municipality's fiscal disparities contribution tax capacity minus its distribution net tax capacity.

(3) "Total taxable net tax capacity" means the total net tax capacity of all properties in the municipality under section 273.13 minus (i) the net fiscal disparities contribution, and (ii) the municipality's tax increment captured net tax capacity.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2016.

Sec. 10. Minnesota Statutes 2014, section 275.065, subdivision 1, is amended to read:

Subdivision 1. **Proposed levy.** (a) Notwithstanding any law or charter to the contrary, on or before September 30, each county ~~and each~~, home rule charter or statutory city, and special taxing district, excluding the Metropolitan Council and the Metropolitan Mosquito Control District, shall certify to the county auditor the proposed property tax levy for taxes payable in the following year. The proposed levy certification date for the Metropolitan Council shall be as prescribed in sections 473.249 and 473.446. The proposed levy certification date for the Metropolitan Mosquito Control District shall be as prescribed in section 473.711.

(b) Notwithstanding any law or charter to the contrary, on or before September 15, each town ~~and each special taxing district~~, the Metropolitan Council, and the Metropolitan Mosquito Control District shall adopt and certify to the county auditor a proposed property tax levy for taxes payable in the following year. For towns, the final certified levy shall also be considered the proposed levy.

(c) On or before September 30, each school district that has not mutually agreed with its home county to extend this date shall certify to the county auditor the proposed property tax levy for taxes payable in the following year. Each school district that has agreed with its home county to delay the certification of its proposed property tax levy must certify its proposed property tax levy for the following year no later than October 7. The school district shall certify the proposed levy as:

(1) a specific dollar amount by school district fund, broken down between voter-approved and non-voter-approved levies and between referendum market value and tax capacity levies; or

(2) the maximum levy limitation certified by the commissioner of education according to section 126C.48, subdivision 1.

(d) If the board of estimate and taxation or any similar board that establishes maximum tax levies for taxing jurisdictions within a first class city certifies the maximum property tax levies for funds under its jurisdiction by charter to the county auditor by the date specified in paragraph (a), the city shall be deemed to have certified its levies for those taxing jurisdictions.

(e) For purposes of this section, "special taxing district" means a special taxing district as defined in section 275.066. Intermediate school districts that levy a tax under chapter 124 or 136D, joint powers boards established under sections 123A.44 to 123A.446, and Common School Districts No. 323, Franconia, and No. 815, Prinsburg, are also special taxing districts for purposes of this section.

(f) At the meeting at which a taxing authority, other than a town, adopts its proposed tax levy under this subdivision, the taxing authority shall announce the time and place of its subsequent regularly scheduled meetings at which the budget and levy will be discussed and at which the public will be allowed to speak. The time and place of those meetings must be included in the proceedings or summary of proceedings published in the official newspaper of the taxing authority under section 123B.09, 375.12, or 412.191.

EFFECTIVE DATE. This section is effective beginning with proposed levy certifications for taxes payable in 2016.

Sec. 11. Minnesota Statutes 2014, section 278.12, is amended to read:

278.12 REFUNDS OF OVERPAYMENT.

(a) If upon final determination the petitioner has paid more than the amount so determined to be due, judgment shall be entered in favor of the petitioner for such excess, and upon filing a copy thereof with the county auditor the auditor shall forthwith draw a warrant upon the county treasurer for the payment thereof; provided that, with the consent of the petitioner, the county auditor may, in lieu of drawing such warrant, issue to the petitioner a certificate stating the amount of such judgment, which amount may be used to apply upon any taxes due or to become due for the taxing district or districts whose taxes or assessments are reduced, or their successors in the event of a reorganization or reincorporation of any such taxing district. In the event the auditor shall issue a warrant for refund or certificates, the amount thereof shall be charged to the state and other taxing districts in proportion to the amount of their respective taxes included in the levy and deduct the same in the subsequent distribution of any tax proceeds to the state or such taxing districts, and upon receiving any such certificate in payment of other taxes, the amount thereof shall be distributed to the state and other taxing districts in proportion to the amount of their respective taxes included in the levy; provided that if in the judgment the levy of one or more of the districts be found to be illegal, to the extent that the tax so levied is reduced on account of the illegal levies, the amount to be charged back shall be charged to the districts and the amount thereof deducted from any distributions thereafter made to them.

(b) With the consent of the petitioner, the county auditor may issue a certificate under paragraph (a) that applies to any taxes due or to become due over a determined period of years.

EFFECTIVE DATE. This section is effective for refunds for overpayment of taxes payable in 2015 and thereafter.

Sec. 12. Minnesota Statutes 2014, section 279.01, subdivision 1, is amended to read:

Subdivision 1. **Due dates; penalties.** ~~Except as provided in subdivisions 3 to 5, on May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, a penalty accrues and thereafter is charged upon all unpaid taxes on real estate on the current lists in the hands of the county treasurer. The~~ (a) When the taxes against any tract or lot exceed $100, one-half of the amount of tax due must be paid prior to May 16, and the remaining one-half must be paid prior to the following October 16. If either tax amount is unpaid as of its due date, a penalty is imposed at a rate of two percent on homestead property ~~until May 31~~ and four percent on nonhomestead property. If complete payment has not been made by the first day of the month following either due date, an additional penalty of two percent on ~~June 1. The penalty on nonhomestead property is at a rate of four percent until May 31~~ homestead property and ~~eight~~ four percent on ~~June 1. This penalty 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. In order for the first half of the tax due on 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, without penalty, the owner of the property must attach an affidavit to the payment attesting to compliance with the income provision of this subdivision~~ nonhomestead property is imposed. Thereafter, for both homestead and nonhomestead property, on the first day of each subsequent month ~~beginning July 1, up to and including October 1 following~~ through December, an additional penalty of one percent for each month accrues and 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 $100, 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 attaches; the remaining one-half may be paid at any time prior to October 16 following, without penalty; but, if not so paid, then a penalty of two percent 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 accrues and on the first day of December following, an additional penalty of two percent accrues and 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 accrues and is charged on all such unpaid taxes. If one-half of such taxes are not 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 attaches to the remaining one-half until October 16 following~~ <u>the penalty must not exceed eight percent in the case of homestead property, or 12 percent in the case of nonhomestead property</u>.

<u>(b) If the property tax statement was not postmarked prior to April 25, the first half payment due date in paragraph (a) shall be 21 days from the postmark date of the property tax statement, and all penalties referenced in paragraph (a) shall be determined with regard to the later due date.</u>

<u>(c) In the case of a tract or lot with taxes of $100 or less, the due date and penalties as specified in paragraph (a) or (b) for the first half payment shall apply to the entire amount of the tax due.</u>

<u>(d) For 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, the first half payment is due prior to June 1. For a class 3a property to qualify for the later due date, the owner of the property must attach an affidavit to the payment attesting to compliance with the income requirements of this paragraph.</u>

<u>(e)</u> This section applies to payment of personal property taxes assessed against improvements to leased property, except as provided by section 277.01, subdivision 3.

<u>(f)</u> A county may provide by resolution that in the case of a property owner that has multiple tracts or parcels with aggregate taxes exceeding $100, payments may be made in installments as provided in this subdivision.

<u>(g)</u> 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 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 beginning with taxes payable in 2016.

Sec. 13. Minnesota Statutes 2014, section 279.01, subdivision 3, is amended to read:

Subd. 3. **Agricultural property.** ~~(a)~~ In the case of class 1b agricultural homestead, class 2a agricultural homestead property, and class 2a agricultural nonhomestead property, no penalties shall attach to the second one-half property tax payment as provided in this section if paid by November 15. Thereafter ~~for class 1b agricultural homestead and class 2a homestead property, on November 16 following, a penalty of six percent shall accrue and be charged on all such unpaid taxes and on December 1 following, an additional two percent shall be charged on all such unpaid taxes. Thereafter for class 2a agricultural nonhomestead property, on November 16 following, a penalty of eight percent shall accrue and be charged on all such unpaid taxes and on December 1 following, an additional four percent shall be charged on all such unpaid taxes~~, penalties shall attach as provided in subdivision 1.

If the owner of class 1b agricultural homestead or class 2a agricultural property receives a consolidated property tax statement that shows only an aggregate of the taxes and special assessments due on that property and on other property not classified as class 1b agricultural homestead or class 2a agricultural property, the aggregate tax and special assessments shown due on the property by the consolidated statement will be due on November 15.

~~(b) Notwithstanding paragraph (a), for taxes payable in 2010 and 2011, for any class 2b property that was subject to a second-half due date of November 15 for taxes payable in 2009, the county shall not impose, or if imposed, shall abate penalty amounts in excess of those that would apply as if the second-half due date were November 15.~~

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2016.

Sec. 14. Minnesota Statutes 2014, section 279.37, subdivision 2, is amended to read:

Subd. 2. **Installment payments.** (a) The owner of any such parcel, or any person to whom the right to pay taxes has been given by statute, mortgage, or other agreement, may make and file with the county auditor of the county in which the parcel is located a written offer to pay the current taxes each year before they become delinquent, or to contest the taxes under chapter 278 and agree to confess judgment for the amount provided, as determined by the county auditor. By filing the offer, the owner waives all irregularities in connection with the tax proceedings affecting the parcel and any defense or objection which the owner may have to the proceedings, and also waives the requirements of any notice of default in the payment of any installment or interest to become due pursuant to the composite judgment to be so entered. Unless the property is subject to subdivision 1a, with the offer, the owner shall (i) tender one-tenth of the amount of the delinquent taxes, costs, penalty, and interest, and (ii) tender all current year taxes and penalty due at the time the confession of judgment is entered. In the offer, the owner shall agree to pay the balance in nine equal installments, with interest as provided in section 279.03, payable annually on installments remaining unpaid from time to time, on or before December 31 of each year following the year in which judgment was confessed.

(b) For property which qualifies under section 279.03, subdivision 2, paragraph (b), each year the commissioner shall set the interest rate for offers made under paragraph (a) at the greater of five percent or two percent above the prime rate charged by banks during the six-month period ending on September 30 of that year, rounded to the nearest full percent, provided that the rate must not exceed the maximum annum rate specified under section 279.03, subdivision 1a. The rate of interest becomes effective on January 1 of the immediately succeeding year. The commissioner's determination under this subdivision is not a rule subject to the Administrative Procedure Act in chapter 14, including section 14.386. If a default occurs in the payments under any confessed judgment entered under this paragraph, the taxes and penalties due are subject to the interest rate specified in section 279.03.

For the purposes of this subdivision:

(1) the term "prime rate charged by banks" means the average predominant prime rate quoted by commercial banks to large businesses, as determined by the Board of Governors of the Federal Reserve System; and

(2) "default" means the cancellation of the confession of judgment due to nonpayment of the current year tax or failure to make any installment payment required by this confessed judgment within 60 days from the date on which payment was due.

(c) The interest rate established at the time judgment is confessed is fixed for the duration of the judgment. By October 15 of each year, the commissioner of revenue must determine the rate of interest as provided under paragraph (b) and, by November 1 of each year, must certify the rate to the county auditor.

(d) A qualified property owner eligible to enter into a second confession of judgment may do so at the interest rate provided in paragraph (b).

~~(e) Repurchase agreements or contracts for repurchase for properties being repurchased under section 282.261 are not eligible to receive the interest rate under paragraph (b).~~

~~(f)~~ (e) The offer must be substantially as follows:

"To the court administrator of the district court of .... county, I, ..., am the owner of the following described parcel of real estate located in .... county, Minnesota:

.... Upon that real estate there are delinquent taxes for the year ...., and prior years, as follows: (here insert year of delinquency and the total amount of delinquent taxes, costs, interest, and penalty). By signing this document I offer to confess judgment in the sum of $...... and waive all irregularities in the tax proceedings affecting these taxes and any defense or objection which I may have to them, and direct judgment to be entered for the amount stated above, minus the sum of $..........., to be paid with this document, which is one-tenth or one-fifth of the amount of the taxes, costs, penalty, and interest stated above. I agree to pay the balance of the judgment in nine or four equal, annual installments, with interest as provided in section 279.03, payable annually, on the installments remaining unpaid. I agree to pay the installments and interest on or before December 31 of each year following the year in which this judgment is confessed and current taxes each year before they become delinquent, or within 30 days after the entry of final judgment in proceedings to contest the taxes under chapter 278.

Dated ...., ..."

EFFECTIVE DATE. This section is effective for sales and repurchases occurring after June 30, 2015.

Sec. 15. Minnesota Statutes 2014, section 282.01, subdivision 4, is amended to read:

Subd. 4. **Sale: method, requirements, effects.** The sale authorized under subdivision 3 must be conducted by the county auditor at the county seat of the county in which the parcels lie, except that in St. Louis and Koochiching Counties, the sale may be conducted in any county facility within the county. The sale must not be for less than the appraised value except as provided in subdivision 7a. The parcels must be sold for cash only, unless the county board of the county has adopted a resolution providing for their sale on terms, in which event the resolution controls with respect to the sale. When the sale is made on terms other than for cash only (1) a payment of at least ten percent of the purchase price must be made at the time of purchase, and the balance must be paid in no more than ten equal annual installments, or (2) the payments must be made in accordance with county board policy, but in no event may the board require more than 12 installments annually, and the contract term must not be for more than ten years. Standing timber or timber products must not be removed from these lands until an amount equal to the appraised value of all standing timber or timber products on the lands at the time of purchase has been paid by the purchaser. If a parcel of land bearing standing timber or timber products is sold at public auction for more than the appraised value, the amount bid in excess of the appraised value must be allocated between the land and the timber in proportion to their respective appraised values. In that case, standing timber or timber products must not be removed from the land until the amount of the excess bid allocated to timber or timber products has been paid in addition to the appraised value of the land. The purchaser is entitled to immediate possession, subject to the provisions of any existing valid lease made in behalf of the state.

~~For sales occurring on or after July 1, 1982, the unpaid balance of the purchase price is subject to interest at the rate determined pursuant to section 549.09.~~ The unpaid balance of the purchase price ~~for sales occurring after December 31, 1990,~~ is subject to interest at the same rate as installment payments on confession of judgment for delinquent taxes determined in section ~~279.03, subdivision 1a~~ 279.37, subdivision 2, paragraph (b). ~~The interest rate is subject to change each year on the unpaid balance in the manner provided for rate changes in section 549.09 or 279.03, subdivision 1a, whichever, is applicable. Interest on the unpaid contract balance on sales occurring before July 1, 1982, is payable at the rate applicable to the sale at the time that the sale occurred.~~

EFFECTIVE DATE. This section is effective for sales occurring after June 30, 2015.

Sec. 16. Minnesota Statutes 2014, section 282.261, subdivision 2, is amended to read:

Subd. 2. **Interest rate.** The unpaid balance on any repurchase contract approved by the county board is subject to interest at the same rate as installment payments on confession of judgment for delinquent taxes determined in section ~~279.03, subdivision 1a~~ 279.37, subdivision 2, paragraph (b). ~~The interest rate is subject to change each year on the unpaid balance in the manner provided for rate changes in section 279.03, subdivision 1a.~~

EFFECTIVE DATE. This section is effective for repurchases occurring after June 30, 2015.

Sec. 17. Minnesota Statutes 2014, section 290C.10, is amended to read:

290C.10 WITHDRAWAL PROCEDURES.

(a) An approved claimant under the sustainable forest incentive program for a minimum of four years may notify the commissioner of the intent to terminate enrollment. Within 90 days of receipt of notice to terminate enrollment, the commissioner shall inform the claimant in writing, acknowledging receipt of this notice and indicating the effective date of termination from the sustainable forest incentive program. Termination of enrollment in the sustainable forest incentive program occurs on January 1 of the fifth calendar year that begins after receipt by the commissioner of the termination notice. After the commissioner issues an effective date of termination, a claimant wishing to continue the land's enrollment in the sustainable forest incentive program beyond the termination date must apply for enrollment as prescribed in section 290C.04. A claimant who withdraws a parcel of land from this program may not reenroll the parcel for a period of three years. Within 90 days after the termination date, the commissioner shall execute and acknowledge a document releasing the land from the covenant required under this chapter. The document must be mailed to the claimant and is entitled to be recorded. The commissioner may allow early withdrawal from the Sustainable Forest Incentive Act without penalty when the state of Minnesota, any local government unit, or any other entity which has the power of eminent domain acquires title or possession to the land for a public purpose notwithstanding the provisions of this section. In the case of ~~such~~ an eligible acquisition, the commissioner shall execute and acknowledge a document releasing the land acquired by the state, local government unit, or other entity from the covenant.

(b) Notwithstanding paragraph (a), the commissioner shall allow early withdrawal from the Sustainable Forest Incentive Act without penalty when the state acquires a permanent conservation easement on the enrolled property and the conservation easement is at least as restrictive as the covenant required under section 290C.04. In the case of an eligible easement acquisition, the commissioner shall execute and acknowledge a document releasing the land subject to the easement from the covenant. All other enrolled land must remain in the program.

(c) Notwithstanding paragraph (a), the commissioner shall allow early withdrawal from the Sustainable Forest Incentive Act without penalty for land that is subject to fee or easement acquisition or lease to the state of Minnesota or a political subdivision of the state for the public purpose of a paved trail. In the case of an eligible fee or easement acquisition or lease under this paragraph, the commissioner shall execute and acknowledge a document releasing the land subject to fee or easement acquisition or lease by the state or political subdivision of the state.

EFFECTIVE DATE. This section is effective July 1, 2015.

Sec. 18. Minnesota Statutes 2014, section 473.446, subdivision 1, is amended to read:

Subdivision 1. **Metropolitan area transit tax.** (a) For the purposes of sections 473.405 to 473.449 and the metropolitan transit system, except as otherwise provided in this subdivision, the council shall levy each year upon all taxable property within the metropolitan area, defined in section 473.121, subdivision 2, a transit tax consisting of:

(1) an amount necessary to provide full and timely payment of certificates of indebtedness, bonds, including refunding bonds or other obligations issued or to be issued under section 473.39 by the council for purposes of acquisition and betterment of property and other improvements of a capital nature and to which the council has specifically pledged tax levies under this clause; and

(2) an additional amount necessary to provide full and timely payment of certificates of indebtedness issued by the council, after consultation with the commissioner of management and budget, if revenues to the metropolitan area transit fund in the fiscal year in which the indebtedness is issued increase over those revenues in the previous fiscal year by a percentage less than the percentage increase for the same period in the revised Consumer Price Index for all urban consumers for the St. Paul-Minneapolis metropolitan area prepared by the United States Department of Labor.

(b) Indebtedness to which property taxes have been pledged under paragraph (a), clause (2), that is incurred in any fiscal year may not exceed the amount necessary to make up the difference between (1) the amount that the council received or expects to receive in that fiscal year from the metropolitan area transit fund and (2) the amount the council received from that fund in the previous fiscal year multiplied by the percentage increase for the same period in the revised Consumer Price Index for all urban consumers for the St. Paul-Minneapolis metropolitan area prepared by the United States Department of Labor.

(c) No levy is allowed for expenses related to the operation of transit or paratransit services. This paragraph must not be construed as limiting the council's ability to levy for debt obligations under paragraph (a).

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2016.

Sec. 19. Minnesota Statutes 2014, section 473H.09, is amended to read:

473H.09 EARLY TERMINATION.

Subdivision 1. **Public emergency.** Termination of an agricultural preserve earlier than a date derived through application of section 473H.08 may be permitted ~~only~~ in the event of a public emergency upon petition from the owner or authority to the governor. The determination of a public emergency shall be by the governor through executive order pursuant to sections 4.035 and 12.01 to 12.46. The executive order shall identify the preserve, the reasons requiring the action and the date of termination.

Subd. 2. **Death of owner.** (a) Within 180 days of the death of an owner, an owner's spouse, or other qualifying person, the surviving owner may elect to terminate the agricultural preserve and the covenant allowing the land to be enrolled as an agricultural preserve by notifying the authority on a form provided by the commissioner of agriculture. Termination of a covenant under this subdivision must be executed and acknowledged in the manner required by law to execute and acknowledge a deed.

(b) For purposes of this subdivision, the following definitions apply:

(1) "qualifying person" includes a partner, shareholder, trustee for a trust that the decedent was the settlor or a beneficiary of, or member of an entity permitted to own agricultural land and engage in farming under section 500.24 that owned the agricultural preserve; and

(2) "surviving owner" includes the executor of the estate of the decedent, the trustee for a trust that the decedent was the settlor or a beneficiary of, or an entity permitted to own farm land under section 500.24 of which the decedent was a partner, shareholder, or member.

(c) When an agricultural preserve is terminated under this subdivision, the property is subject to additional taxes in an amount equal to 50 percent of the taxes actually levied against the property for the current taxes payable year. The additional taxes are extended against the property on the tax list for taxes payable in the current year. The additional taxes must be distributed among the jurisdictions levying taxes on the property in proportion to the current year's taxes.

EFFECTIVE DATE. This section is effective July 1, 2015.

Sec. 20. Minnesota Statutes 2014, section 473H.17, subdivision 1a, is amended to read:

Subd. 1a. **Allowed commercial and industrial operations.** (a) Commercial and industrial operations are not allowed on land within an agricultural preserve except:

(1) small on-farm commercial or industrial operations normally associated with and important to farming in the agricultural preserve area;

(2) storage use of existing farm buildings that does not disrupt the integrity of the agricultural preserve; ~~and~~

(3) small commercial use of existing farm buildings for trades not disruptive to the integrity of the agricultural preserve such as a carpentry shop, small scale mechanics shop, and similar activities that a farm operator might conduct~~.~~; and

(4) wireless communication installments and related equipment and structure capable of providing technology potentially beneficial to farming activities.

(b) "Existing" in paragraph (a), clauses (2) and (3), means existing on August 1, 1987.

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

Sec. 21. Laws 1996, chapter 471, article 3, section 51, is amended to read:

Sec. 51. **RECREATION LEVY FOR SAWYER BY CARLTON COUNTY.**

~~Subdivision 1.~~ ~~**Levy authorized.**~~ Notwithstanding other law to the contrary, the Carlton county board of commissioners may levy in and for the unorganized township of Sawyer an amount up to ~~$1,500~~ $2,000 annually for recreational purposes~~, beginning with taxes payable in 1997 and ending with taxes payable in 2006~~.

~~Subd. 2.~~ ~~**Effective date.**~~ ~~This section is effective June 1, 1996, without local approval.~~

EFFECTIVE DATE. This section is effective the day after the Carlton County Board of Commissioners and its chief clerical officer comply with section 645.021, subdivisions 2 and 3, and applies to taxes payable in 2015.

ARTICLE 4

ESTATE TAXES

Section 1. Minnesota Statutes 2014, section 289A.10, subdivision 1, is amended to read:

Subdivision 1. **Return required.** In the case of a decedent who has an interest in property with a situs in Minnesota, the personal representative must submit a Minnesota estate tax return to the commissioner, on a form prescribed by the commissioner, if:

(1) a federal estate tax return is required to be filed; or

(2) the sum of the federal gross estate and federal adjusted taxable gifts, as defined in section 2001(b) of the Internal Revenue Code, made within three years of the date of the decedent's death exceeds $1,200,000 for estates of decedents dying in 2014; ~~$1,400,000~~ $2,000,000 for estates of decedents dying in 2015; ~~$1,600,000~~ $3,000,000 for estates of decedents dying in 2016; ~~$1,800,000~~ $4,000,000 for estates of decedents dying in 2017; ~~and $2,000,000~~ $5,000,000 for estates of decedents dying in 2018 ~~and~~; and only if a federal estate tax return is required to be filed thereafter.

The return must contain a computation of the Minnesota estate tax due. The return must be signed by the personal representative.

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after December 31, 2014.

Sec. 2. Minnesota Statutes 2014, section 291.005, subdivision 1, as amended by Laws 2015, chapter 1, section 5, 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) "Commissioner" means the commissioner of revenue or any person to whom the commissioner has delegated functions under this chapter.

(2) "Federal gross estate" means the gross estate of a decedent as required to be valued and otherwise determined for federal estate tax purposes under the Internal Revenue Code, increased by the value of any property in which the decedent had a qualifying income interest for life and for which an election was made under section 291.03, subdivision 1d, for Minnesota estate tax purposes, but was not made for federal estate tax purposes.

(3) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through December 31, 2014.

(4) "Minnesota gross estate" means the federal gross estate of a decedent after (a) excluding therefrom any property included in the estate which has its situs outside Minnesota, and (b) including any property omitted from the federal gross estate which is includable in the estate, has its situs in Minnesota, and was not disclosed to federal taxing authorities.

(5) "Nonresident decedent" means an individual whose domicile at the time of death was not in Minnesota.

(6) "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.

(7) "Resident decedent" means an individual whose domicile at the time of death was in Minnesota. The provisions of section 290.01, subdivision 7, paragraphs (c) and (d), apply to determinations of domicile under this chapter.

(8) "Situs of property" means, with respect to:

(i) real property, the state or country in which it is located;

(ii) tangible personal property, the state or country in which it was normally kept or located at the time of the decedent's death or for a gift of tangible personal property within three years of death, the state or country in which it was normally kept or located when the gift was executed;

(iii) a qualified work of art, as defined in section 2503(g)(2) of the Internal Revenue Code, owned by a nonresident decedent and that is normally kept or located in this state because it is on loan to an organization, qualifying as exempt from taxation under section

501(c)(3) of the Internal Revenue Code, that is located in Minnesota, the situs of the art is deemed to be outside of Minnesota, notwithstanding the provisions of item (ii); and

(iv) intangible personal property, the state or country in which the decedent was domiciled at death or for a gift of intangible personal property within three years of death, the state or country in which the decedent was domiciled when the gift was executed.

For a nonresident decedent with an ownership interest in a pass-through entity with assets that include real or tangible personal property, situs of the real or tangible personal property, including qualified works of art, is determined as if the pass-through entity does not exist and the real or tangible personal property is personally owned by the decedent. If the pass-through entity is owned by a person or persons in addition to the decedent, ownership of the property is attributed to the decedent in proportion to the decedent's capital ownership share of the pass-through entity.

(9) "Pass-through entity" includes the following:

(i) an entity electing S corporation status under section 1362 of the Internal Revenue Code;

(ii) an entity taxed as a partnership under subchapter K of the Internal Revenue Code;

(iii) a single-member limited liability company or similar entity, regardless of whether it is taxed as an association or is disregarded for federal income tax purposes under Code of Federal Regulations, title 26, section 301.7701-3; or

(iv) a trust to the extent the property is includible in the decedent's federal gross estate; but excludes

(v) an entity whose ownership interest securities are traded on an exchange regulated by the Securities and Exchange Commission as a national securities exchange under section 6 of the Securities Exchange Act, United States Code, title 15, section 78f.

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after December 31, 2014.

Sec. 3. Minnesota Statutes 2014, section 291.016, subdivision 3, is amended to read:

Subd. 3. **Subtraction.** (a) The value of qualified small business property under section 291.03, subdivision 9, and the value of qualified farm property under section 291.03, subdivision 10, or the result of $5,000,000 minus the amount for the year of death listed in clauses (1) to ~~(5)~~ (4), whichever is less, may be subtracted in computing the Minnesota taxable estate but must not reduce the Minnesota taxable estate to less than zero:

(1) $1,200,000 for estates of decedents dying in 2014;

(2) ~~$1,400,000~~ $2,000,000 for estates of decedents dying in 2015;

(3) ~~$1,600,000~~ $3,000,000 for estates of decedents dying in 2016; and

(4) ~~$1,800,000~~ $4,000,000 for estates of decedents dying in 2017~~; and~~.

~~(5) $2,000,000~~ (b) The subtraction under paragraph (a) does not apply for estates of decedents dying in 2018 and thereafter.

(c) For estates of decedents dying after December 31, 2018, the value of the federal exclusion amount under section 2010 of the Internal Revenue Code may be subtracted in computing the Minnesota taxable estate, but must not reduce the Minnesota taxable estate to less than zero. For purposes of this subdivision, the federal exclusion amount equals the sum of:

(1) the basic exclusion amount under section 2010(c)(3) for the year in which the decedent died; and

(2) any deceased spouse unused exclusion amount that is allowed in computing the federal estate tax of the estate.

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after December 31, 2014.

Sec. 4. Minnesota Statutes 2014, section 291.03, subdivision 1, is amended to read:

Subdivision 1. **Tax amount.** The tax imposed must be computed by applying to the Minnesota taxable estate the following schedule of rates and then the resulting amount multiplied by a fraction, not greater than one, the numerator of which is the value of the Minnesota gross estate plus the value of gifts under section 291.016, subdivision 2, clause (3), with a Minnesota situs, and the denominator of which is the federal gross estate plus the value of gifts under section 291.016, subdivision 2, clause (3):

(a) For estates of decedents dying in 2014:

Amount of Minnesota Taxable Estate	Rate of Tax
Not over $1,200,000	None
Over $1,200,000 but not over $1,400,000	nine percent of the excess over $1,200,000
Over $1,400,000 but not over $3,600,000	$18,000 plus ten percent of the excess over $1,400,000
Over $3,600,000 but not over $4,100,000	$238,000 plus 10.4 percent of the excess over $3,600,000
Over $4,100,000 but not over $5,100,000	$290,000 plus 11.2 percent of the excess over $4,100,000
Over $5,100,000 but not over $6,100,000	$402,000 plus 12 percent of the excess over $5,100,000
Over $6,100,000 but not over $7,100,000	$522,000 plus 12.8 percent of the excess over $6,100,000
Over $7,100,000 but not over $8,100,000	$650,000 plus 13.6 percent of the excess over $7,100,000
Over $8,100,000 but not over $9,100,000	$786,000 plus 14.4 percent of the excess over $8,100,000

Over $9,100,000 but not over $10,100,000	$930,000 plus 15.2 percent of the excess over $9,100,000
Over $10,100,000	$1,082,000 plus 16 percent of the excess over $10,100,000

~~(b) For estates of decedents dying in 2015:~~

~~Amount of Minnesota Taxable Estate~~	~~Rate of Tax~~
~~Not over $1,400,000~~	~~None~~
~~Over $1,400,000 but not over $3,600,000~~	~~ten percent of the excess over $1,400,000~~
~~Over $3,600,000 but not over $6,100,000~~	~~$220,000 plus 12 percent of the excess over $3,600,000~~
~~Over $6,100,000 but not over $7,100,000~~	~~$520,000 plus 12.8 percent of the excess over $6,100,000~~
~~Over $7,100,000 but not over $8,100,000~~	~~$648,000 plus 13.6 percent of the excess over $7,100,000~~
~~Over $8,100,000 but not over $9,100,000~~	~~$784,000 plus 14.4 percent of the excess over $8,100,000~~
~~Over $9,100,000 but not over $10,100,000~~	~~$928,000 plus 15.2 percent of the excess over $9,100,000~~
~~Over $10,100,000~~	~~$1,080,000 plus 16 percent of the excess over $10,100,000~~

~~(c) For estates of decedents dying in 2016:~~

~~Amount of Minnesota Taxable Estate~~	~~Rate of Tax~~
~~Not over $1,600,000~~	~~None~~
~~Over $1,600,000 but not over $2,600,000~~	~~ten percent of the excess over $1,600,000~~
~~Over $2,600,000 but not over $6,100,000~~	~~$100,000 plus 12 percent of the excess over $2,600,000~~
~~Over $6,100,000 but not over $7,100,000~~	~~$520,000 plus 12.8 percent of the excess over $6,100,000~~
~~Over $7,100,000 but not over $8,100,000~~	~~$648,000 plus 13.6 percent of the excess over $7,100,000~~
~~Over $8,100,000 but not over $9,100,000~~	~~$784,000 plus 14.4 percent of the excess over $8,100,000~~
~~Over $9,100,000 but not over $10,100,000~~	~~$928,000 plus 15.2 percent of the excess over $9,100,000~~
~~Over $10,100,000~~	~~$1,080,000 plus 16 percent of the excess over $10,100,000~~

~~(d) For estates of decedents dying in 2017:~~

~~Amount of Minnesota Taxable Estate~~	~~Rate of Tax~~
~~Not over $1,800,000~~	~~None~~
~~Over $1,800,000 but not over $2,100,000~~	~~ten percent of the excess over $1,800,000~~
~~Over $2,100,000 but not over $5,100,000~~	~~$30,000 plus 12 percent of the excess over $2,100,000~~
~~Over $5,100,000 but not over $7,100,000~~	~~$390,000 plus 12.8 percent of the excess over $5,100,000~~

~~Over $7,100,000 but not over $8,100,000~~	~~$646,000 plus 13.6 percent of the excess over $7,100,000~~
~~Over $8,100,000 but not over $9,100,000~~	~~$782,000 plus 14.4 percent of the excess over $8,100,000~~
~~Over $9,100,000 but not over $10,100,000~~	~~$926,000 plus 15.2 percent of the excess over $9,100,000~~
~~Over $10,100,000~~	~~$1,078,000 plus 16 percent of the excess over $10,100,000~~

~~(c)~~ (b) For estates of decedents dying in ~~2018 and thereafter~~ 2015:

Amount of Minnesota Taxable Estate	Rate of Tax
Not over $2,000,000	None
Over $2,000,000 but not over $2,600,000	ten percent of the excess over $2,000,000
Over $2,600,000 but not over $7,100,000	$60,000 plus 13 percent of the excess over $2,600,000
Over $7,100,000 but not over $8,100,000	$645,000 plus 13.6 percent of the excess over $7,100,000
Over $8,100,000 but not over $9,100,000	$781,000 plus 14.4 percent of the excess over $8,100,000
Over $9,100,000 but not over $10,100,000	$925,000 plus 15.2 percent of the excess over $9,100,000
Over $10,100,000	$1,077,000 plus 16 percent of the excess over $10,100,000

(c) For estates of decedents dying in 2016:

Amount of Minnesota Taxable Estate	Rate of Tax
Not over $3,000,000	None
Over $3,000,000 but not over $8,100,000	14 percent of the excess over $3,000,000
Over $8,100,000 but not over $9,100,000	$714,000 plus 14.4 percent of the excess over $8,100,000
Over $9,100,000 but not over $10,100,000	$858,000 plus 15.2 percent of the excess over $9,100,000
Over $10,100,000	$1,010,000 plus 16 percent of the excess over $10,100,000

(d) For estates of decedents dying in 2017:

Amount of Minnesota Taxable Estate	Rate of tax
Not over $4,000,000	None
Over $4,000,000 but not over $9,100,000	15 percent of the excess over $4,000,000
Over $9,100,000 but not over $10,100,000	$765,000 plus 15.2 percent of the excess over $9,100,000
Over $10,100,000	$917,000 plus 16 percent of the excess over $10,100,000

(e) For estates of decedents dying in 2018:

Amount of Minnesota Taxable Estate	Rate of Tax
Not over $5,000,000	None
Over $5,000,000	16 percent of the excess over $5,000,000

(f) For estates of decedents dying in 2019 and thereafter, 16 percent of the amount of the Minnesota taxable estate.

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after December 31, 2014.

Sec. 5. Minnesota Statutes 2014, section 291.03, subdivision 1d, is amended to read:

Subd. 1d. **Elections.** (a) For the purposes of this section, the value of the Minnesota taxable estate is determined by taking into account the deduction available under section 2056(b) of the Internal Revenue Code. An election under section 2056(b) of the Internal Revenue Code may be made for Minnesota estate tax purposes regardless of whether the election is made for federal estate tax purposes. The value of the gross estate includes the value of any property in which the decedent had a qualifying income interest for life for which an election was made under this subdivision. The authority to make an election under this paragraph is limited to estates of decedents dying before January 1, 2018.

(b) Except for an election made under section 2056(b) of the Internal Revenue Code, no federal election is allowable in computing the tax under this chapter unless the estate is required to file a federal estate tax return, the election is made on the federal estate tax return, and the election is allowed under federal law.

EFFECTIVE DATE. This section is effective for estates of decedents dying after December 31, 2015.

ARTICLE 5

ECONOMIC DEVELOPMENT

Section 1. **[16A.1246] NO SPENDING FOR CERTAIN RAIL PROJECTS.**

(a) Except as provided in paragraph (b), no appropriation or other state money, whether in the general or another fund, must be expended or used for any costs related to studying the feasibility of, planning for, designing, engineering, acquiring property or constructing facilities for or related to, or development or operation of intercity or interregional passenger rail facilities or operations between the city of Rochester, or locations in its metropolitan area, and any location in the metropolitan area, as defined in section 473.121, subdivision 2.

(b) The restrictions under this section do not apply to funds obtained from contributions, grants, or other voluntary payments made by nongovernmental entities from private sources.

EFFECTIVE DATE. This section is effective the day following final enactment, except it does not apply to funds appropriated under Laws 2009, chapter 93, article 1, section 11, subdivision 5.

Sec. 2. **[16B.2965] PROPERTY LEASED FOR RAIL PROJECTS.**

If a state official leases, loans, or otherwise makes available state lands, air rights, or any other state property for use in connection with passenger rail facilities, as described in section 16A.1246, the lease or other agreement must include or be secured by a security bond or equivalent guarantee that allows the state to recover any costs it incurs in connection with the rail project from a responsible third party, or secure source of capital, if the passenger rail facilities are not constructed, are abandoned, or do not go into operation. These costs include restoring state property to its original condition.

(b) For purposes of this section, "state official" includes the commissioner, the commissioner of transportation, or any other state official with authority to enter into a lease or other agreement providing for use by a nonstate entity of state property.

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

Sec. 3. **[116X.01] TITLE.**

This chapter is titled and may be cited as the "Minnesota New Markets Jobs Act."

EFFECTIVE DATE. This section is effective the day following final enactment, and applies to premium tax returns originally due on or after December 31, 2015.

Sec. 4. **[116X.02] DEFINITIONS.**

Subdivision 1. **Scope.** For the purposes of this chapter, the terms defined in this section have the meanings given.

Subd. 2. **Affiliate.** (a) For the purposes of subdivision 10, "affiliate" includes:

(1) any entity, without regard to whether the entity is a qualified community development entity under subdivision 10, that is the initial holder, either directly or through one or more special purpose entities, of a qualified equity investment in the qualified community development entity; and

(2) any entity, without regard to whether the entity is a qualified community development entity under subdivision 10, that provides insurance or any other form of guaranty to the ultimate recipient of tax credits under section 116X.03 with respect to a recapture or forfeiture of tax credits under section 116X.06, either directly or through the

guaranty of any other economic benefit that is paid in lieu of the tax credits allowable under section 116X.03.

(b) The determination of whether an entity is an affiliate must be made by taking into account all relevant facts and circumstances, including the description of the proposed amount, structure, and initial purchaser of the qualified equity investment required by section 116X.05, subdivision 1, clause (4), and the determination assumes that the information provided under section 116X.05, subdivision 1, clause (4), is true and complete as of the date an application is submitted under section 116X.05.

Subd. 3. **Applicable percentage.** "Applicable percentage" means zero percent for the first two credit allowance dates, eight percent for the third through sixth credit allowance dates, and seven percent for the seventh credit allowance date.

Subd. 4. **Code.** "Code" or "the code" means the Internal Revenue Code of 1986 as amended through the date in section 290.01, subdivision 19.

Subd. 5. **Commissioner.** "Commissioner" means the commissioner of employment and economic development.

Subd. 6. **Credit allowance date.** "Credit allowance date" means for a qualified equity investment:

(1) the date on which the investment is initially made; and

(2) each of the six anniversary dates of that date thereafter.

Subd. 7. **Long-term debt security.** "Long-term debt security" means any debt instrument issued by a qualified community development entity at par value with an original maturity date of at least seven years from the date of its issuance, with no acceleration of repayment, amortization, or prepayment features prior to its original maturity date. The qualified community development entity that issues the debt instrument must not make cash interest payments on the debt instrument during the period from the date of issuance to the final credit allowance date in an amount that exceeds the cumulative operating income, as defined by regulations adopted under section 45D of the code of the qualified community development entity for that period prior to giving effect to the expense of the cash interest payments. This subdivision does not limit the holder's ability to accelerate payments on the debt instrument if the issuer has defaulted on covenants designed to ensure compliance with this section or section 45D of the code.

Subd. 8. **Purchase price.** "Purchase price" means the amount paid to the issuer of a qualified equity investment for the qualified equity investment.

Subd. 9. **Qualified active low-income community business.** (a) "Qualified active low-income community business" means a business as defined in section 45D of the code and Code of Federal Regulations, title 26, section 1.45D-1, and that is engaged primarily in a qualified high-technology field, as defined in section 116J.8737, subdivision 2, paragraph (g), clause (1), manufacturing, mining, or forestry. A business is considered a qualified active low-income community business for the duration of the qualified community development entity's investment in, or loan to, the business if the entity reasonably expects, when it makes the investment or loan, that the business will continue to satisfy the requirements for being a qualified active low-income community business, throughout the entire period of the investment or loan.

(b) Qualified active low-income community business excludes any business that derives or projects to derive 15 percent or more of its annual revenue from activities described in section 116J.8737, subdivision 2, paragraph (c), clause (4).

Subd. 10. **Qualified community development entity.** (a) "Qualified community development entity" has the meaning given in section 45D of the code, if the entity has entered into, for the current year or a prior year, an allocation agreement with the Community Development Financial Institutions Fund of the United States Department of the Treasury for credits authorized by section 45D of the code that includes Minnesota within the service area in the allocation agreement. The term includes subsidiary community development entities or affiliates of any qualified community development entity, all of which are a single applicant for purposes of section 116X.05.

(b) Qualified community development entity excludes any regulated financial institution that is subject to the Community Reinvestment Act of 1977, United States Code, title 12, chapter 30, or any subsidiary or affiliate of a regulated financial institution.

(c) Paragraph (b) does not apply to a regulated financial institution, or its subsidiary or affiliate, if the regulated financial institution is chartered by, or has an office located in, Minnesota and the regulated financial institution otherwise meets the requirements of paragraph (a).

Subd. 11. **Qualified equity investment.** (a) "Qualified equity investment" means any equity investment in, or long-term debt security issued by, a qualified community development entity that:

(1) is acquired after October 1, 2015, at its original issuance solely in exchange for cash;

(2) has at least 100 percent of its cash purchase price used by the issuer to make qualified low-income community investments in qualified active low-income community businesses located in this state by the first anniversary of the initial credit allowance date; and

(3) is designated by the issuer as a qualified equity investment under this subdivision and is certified by the department as not exceeding the limitation in section 116X.05, subdivision 4.

(b) Notwithstanding the restrictions on transferability contained in section 116X.04, this term includes any qualified equity investment that does not meet the provisions of paragraph (a) if the investment:

(1) is transferred to a subsequent holder; and

(2) was a qualified equity investment in the hands of any prior holder.

(c) Qualified equity investment does not include:

(1) any investment that entitles the holder to claim tax credits under section 45D of the code; or

(2) any investment, the proceeds of which are used to make debt or equity investments in, directly or indirectly, any other qualified community development entity.

Subd. 12. **Qualified low-income community investment.** "Qualified low-income community investment" means any capital or equity investment in, or loan to, any qualified active low-income community business. For any one qualified active low-income community business, the maximum amount of qualified low-income community investments that may be made in the business, on a collective basis with all of its affiliates, with the proceeds of qualified equity investments that have been certified under section 116X.05, is $10,000,000 whether made by one or several qualified community development entities.

Subd. 13. **Refundable performance fee.** "Refundable performance fee" means a fee that a qualified community development entity seeking to have an equity investment or long-term debt security designated as a qualified equity investment and eligible for tax credits under section 116X.05 must pay to the commissioner as assurance of compliance with certain requirements of this chapter. The amount of the fee equals one-half of one percent of the amount of the equity investment or long-term debt security requested to be designated as a qualified equity investment.

Subd. 14. **State premium tax liability.** "State premium tax liability" means any liability incurred by any entity under chapter 297I.

EFFECTIVE DATE. This section is effective the day following final enactment, and applies to premium tax returns originally due on or after December 31, 2015.

Sec. 5. **[116X.03] CREDIT ESTABLISHED.**

(a) Any entity that makes a qualified equity investment earns a vested right to credit against the entity's state premium tax liability on a premium tax report filed under this section that may be utilized as described in paragraphs (b) to (e).

(b) On each credit allowance date of the qualified equity investment, the entity, or a subsequent holder of the qualified equity investment, may use a portion of the credit during the taxable year, including the credit allowance date.

(c) The credit amount equals the applicable percentage for the credit allowance date multiplied by the purchase price paid to the issuer of the qualified equity investment.

(d) The amount of the credit claimed by an entity must not exceed the amount of the entity's state premium tax liability for the tax year for which the credit is claimed. Any amount of tax credit that the entity is prohibited from claiming in a taxable year as a result of this chapter may be carried forward for use in any subsequent taxable year.

(e) An entity claiming a credit under this chapter is not required to pay any additional retaliatory tax levied under section 297I.05 as a result of claiming that credit. In addition, it is the intent of this section that an entity claiming a credit under this chapter is not required to pay any additional tax as a result of claiming that credit.

EFFECTIVE DATE. This section is effective the day following final enactment, and applies to premium tax returns originally due on or after December 31, 2015.

Sec. 6. **[116X.04] TRANSFERABILITY.**

No tax credit claimed under this chapter is refundable or saleable on the open market. However, a participating investor may transfer credits to an affiliated insurance company, if it notifies the commissioner in writing. Tax credits earned by a partnership, limited liability company, S corporation, or other "pass-through" entity may be allocated to the partners, members, or shareholders of the entity for their direct use under the provisions of any agreement among those partners, members, or shareholders. Any allocation of tax credits made to a partner, member, or shareholder under this section is not a sale of the tax credits for purposes of this chapter.

EFFECTIVE DATE. This section is effective the day following final enactment, and applies to premium tax returns originally due on or after December 31, 2015.

Sec. 7. **[116X.05] CERTIFICATION OF QUALIFIED EQUITY INVESTMENTS.**

Subdivision 1. **Application.** A qualified community development entity that seeks to have an equity investment or long-term debt security designated as a qualified equity investment and eligible for tax credits under this chapter may apply to the commissioner on or after October 1, 2015. The application must include the following:

(1) evidence of the applicant's certification as a qualified community development entity, including evidence of the service area of the entity that includes Minnesota;

(2) a copy of the allocation agreement executed by the applicant, or its controlling entity, and the Community Development Financial Institutions Fund under section 116X.02, subdivision 10;

(3) a certificate executed by an executive officer of the applicant attesting that the allocation agreement remains in effect and has not been revoked or canceled by the Community Development Financial Institutions Fund;

(4) evidence that the applicant or its controlling entity has received more than one allocation of qualified equity investment authority from the Community Development Financial Institutions Fund, at least one of which must have been received on or after January 1, 2013;

(5) evidence that the applicant, its controlling entity, and subsidiary qualified community development entities of the controlling entity have collectively made at least $25,000,000 in qualified low-income community investments under the federal new markets tax credit program or under new markets tax credit programs in other states with a maximum qualifying low-income community investment size of $5,000,000 per business;

(6) a description of the proposed amount, structure, and initial purchaser of the qualified equity investment;

(7) the minimum amount of the qualified equity investment that the qualified community development entity is willing to accept if the amount proposed to be certified under clause (4) is less than the applicant's proposed amount of qualified equity investment;

(8) a plan describing the proposed investment of the proceeds of the qualified equity investment, including the types of qualified active low-income community businesses in which the applicant expects to invest. Applicants are not required to identify qualified active low-income community businesses in which they will invest when submitting an application;

(9) a nonrefundable application fee of $5,000. This fee must be paid to the commissioner and is required for each application submitted; and

(10) the refundable performance fee required by section 116X.08.

The requirements of clauses (4) and (5) do not apply to a qualified community development entity incorporated or headquartered in Minnesota.

Subd. 2. **Consideration of application.** Within 30 days after receipt of a completed application containing the information in subdivision 1, including the payment of the application fee and the refundable performance fee, the commissioner shall grant or deny the application in full or in part. If the commissioner denies any part of the application, the commissioner shall inform the qualified community development entity of the grounds for the denial. If the qualified community development entity provides any additional information required by the commissioner or otherwise completes its application within 15 days of the notice of denial, the application is considered completed as of the original date of submission. If the qualified community development entity fails to provide the information or complete its application within the 15-day period, the application remains denied and must be resubmitted in full with a new submission date.

Subd. 3. **Certification.** If the application required under this section is complete, the commissioner shall certify the proposed equity investment or long-term debt security as a qualified equity investment that is eligible for tax credits under this chapter, subject to the limitations in subdivision 4. The commissioner shall provide written notice of the certification to the qualified community development entity. The notice must include the name of the initial purchaser of the qualified equity investment and the credit amount. Before any tax credits are claimed under this chapter, the qualified community development entity shall provide written notice to the commissioner of the names of the entities eligible to claim the credits as a result of holding a qualified equity investment. If the names of the entities that are eligible to utilize the credits change due to a transfer of a qualified equity investment or an allocation or affiliate transfer under section 116X.04, the qualified community development entity shall notify the commissioner of the change.

Subd. 4. **Amount certified.** The commissioner shall certify $250,000,000 in qualified equity investments. The commissioner shall certify qualified equity investments in the order applications are received by the commissioner. Applications received on the same day are deemed to have been received simultaneously. For applications that are complete and received on the same day, the commissioner shall certify, consistent with remaining qualified equity investment capacity, the qualified equity investments in proportionate percentages based upon the ratio of the amount of qualified equity investment requested in an application to the total amount of qualified equity investments requested in all applications received on the same day. If any amount of qualified equity investment that would be certified under this section is less than the acceptable minimum amount specified in the application as required by subdivision 1, clause (5), the application is deemed withdrawn and the amount of qualified equity investment is proportionately allocated among the other applicants under this subdivision.

Subd. 5. **Transfer of authority.** An approved applicant may transfer all or a portion of its certified qualified equity investment authority to its controlling entity or any subsidiary qualified community development entity of the controlling entity, if the applicant provides the information required in the application with respect to the transferee, and the applicant notifies the commissioner of the transfer within 30 days of the transfer.

Subd. 6. **Cash investment.** Within 60 days of the applicant receiving notice of certification, the qualified community development entity, or any transferee under subdivision 5, shall issue the qualified equity investment and receive cash in the amount of the certified amount. The qualified community development entity or transferee under subdivision 5 must provide the commissioner with evidence of the receipt of the cash investment within ten business days after receipt. If the qualified community development entity or any transferee under subdivision 5 does not receive the cash investment and issue the qualified equity investment within 60 days following receipt of the certification notice, the certification lapses and the entity may not issue the qualified equity investment without reapplying to the commissioner for certification. Lapsed certifications revert back to the commissioner and must be reissued, first, pro rata to other applicants whose qualified equity investment allocations were reduced under subdivision 4 and, thereafter, in accordance with the application process.

Subd. 7. **New markets tax credit account.** The new markets tax credit account is established in the special revenue fund. The commissioner shall deposit the nonrefundable application fee in the account and amounts in the account are appropriated to the commissioner for the cost of administering this chapter.

EFFECTIVE DATE. This section is effective the day following final enactment, and applies to premium tax returns originally due on or after December 31, 2015.

Sec. 8. **[116X.06] DISALLOWANCE OF TAX CREDITS AND PENALTIES.**

(a) The commissioner shall disallow any tax credits earned as a result of holding a qualified equity investment, but not yet claimed, if:

(1) the issuer redeems or makes principal repayment with respect to a qualified equity investment prior to the seventh anniversary of the issuance of the qualified equity investment. In this case, the commissioner's disallowance of unclaimed tax credits are proportionate to the amount of the redemption or repayment of the qualified equity investment; or

(2) the issuer fails to invest an amount equal to 100 percent of the purchase price of the qualified equity investment in qualified low-income community investments in Minnesota within 12 months of the issuance of the qualified equity investment and maintain at least 100 percent of the level of investment in qualified low-income community investments in Minnesota until the last credit allowance date for the qualified

equity investment. For purposes of this section, an investment is considered held by an issuer even if the investment has been sold or repaid if the issuer reinvests an amount equal to the capital returned to or recovered by the issuer from the original investment, exclusive of any profits realized, in another qualified low-income community investment within 12 months of the receipt of the capital. An issuer is not required to reinvest capital returned from qualified low-income community investments after the sixth anniversary of the issuance of the qualified equity investment, if proceeds were used to make the qualified low-income community investment, and the qualified low-income community investment is considered to be held by the issuer through the seventh anniversary of the qualified equity investment's issuance.

(b) Notwithstanding any contrary provision, any tax credit already claimed under this chapter is not subject to recapture under paragraph (a), clause (1) or (2).

(c) If the commissioner disallows tax credits under this section, the commissioner may also impose penalties on the qualified community development entity that issued the qualified equity investment for which tax credits are disallowed, not to exceed the amount of the refundable performance fee required under section 116X.08 and without regard to whether the fee has been refunded to the qualified community development entity.

EFFECTIVE DATE. This section is effective the day following final enactment, and applies to premium tax returns originally due on or after December 31, 2015.

Sec. 9. **[116X.07] NOTICE OF NONCOMPLIANCE.**

Enforcement of each of the disallowance and penalty provisions is subject to a six-month cure period. No disallowance or penalty may be imposed until six months after the qualified community development entity has received notice of the noncompliance.

EFFECTIVE DATE. This section is effective the day following final enactment, and applies to premium tax returns originally due on or after December 31, 2015.

Sec. 10. **[116X.08] REFUNDABLE PERFORMANCE FEE.**

Subdivision 1. **Performance guarantee amount.** A qualified community development entity that seeks to have an equity investment or long-term debt security designated as a qualified equity investment and eligible for tax credits under this section shall pay a refundable performance fee to the commissioner for deposit in the new markets performance guarantee account, which is established in the special revenue fund. The following amounts are forfeited to the commissioner:

(1) the entire performance fee, if the qualified community development entity and its subsidiary qualified community development entities fail to issue the total amount of qualified equity investments certified by the department and receive cash in the total amount certified under section 116X.05, subdivision 3; or

(2) the amount of the performance fee equal to the product of the original amount of the refundable performance fee multiplied by the percentage of the remaining amount of the proceeds of the qualified equity investment not used to make qualified low-income equity investments if the qualified community development entity or any subsidiary qualified community development entity that issues a qualified equity investment certified under this section fails to meet the investment requirement under section 116X.06 by the second credit allowance date of the qualified equity investment. Forfeiture of the fee or any portion thereof under this paragraph is subject to the six-month cure period established under section 116X.07.

Subd. 2. **Request for refund.** The fee required under subdivision 1 must be paid to the commissioner and held in the new markets performance guarantee account until compliance with subdivision 1 is established. The qualified community development entity may request a refund of the fee from the commissioner no sooner than 30 days after it meets all the requirements of subdivision 1. The commissioner has 30 days to comply with the request or give notice of noncompliance.

EFFECTIVE DATE. This section is effective the day following final enactment, and applies to premium tax returns originally due on or after December 31, 2015.

Sec. 11. **[116X.09] PREAPPROVAL OF INVESTMENTS.**

Before making a proposed qualified low-income community investment, a qualified community development entity may request from the commissioner a written determination as to whether the proposed qualified low-income community investment satisfies all applicable provisions of this chapter. The commissioner must provide a determination and an explanation for it to a qualified community development entity within ten business days after receiving the request. Any determination made by the commissioner under this section is binding.

EFFECTIVE DATE. This section is effective the day following final enactment, and applies to premium tax returns originally due on or after December 31, 2015.

Sec. 12. **[116X.10] MANAGEMENT OF QUALIFIED EQUITY INVESTMENT BY ANOTHER CERTIFIED DEVELOPMENT ENTITY PROHIBITED.**

A qualified community development entity, its controlling entity, and its affiliates must not contract with or otherwise use any third party or its affiliates to manage, control the direction of, or source qualified low-income community investments into qualified low-income community businesses that are approved for qualified investment under this chapter, if the third party is another qualified community development entity or otherwise is performing those functions for another community development entity.

EFFECTIVE DATE. This section is effective the day following final enactment, and applies to premium tax returns originally due on or after December 31, 2015.

Sec. 13. **[117.028] CONDEMNATION FOR CERTAIN RAIL FACILITIES PROHIBITED.**

Notwithstanding section 222.27, or any other law to the contrary, no condemning authority may take property for the development or construction of or for facilities related to intercity or interregional passenger rail facilities or operations between the city of Rochester, or locations in its metropolitan area, and any location in the metropolitan area, as defined in section 473.121, subdivision 2.

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

Sec. 14. Minnesota Statutes 2014, section 297I.20, is amended by adding a subdivision to read:

Subd. 4. **New markets tax credit.** (a) A credit is allowed against the tax imposed under this chapter, including the retaliatory tax under section 297I.05, subdivision 11, equal to the amount of the credit allowed under section 116X.03 for the taxable year.

(b) Notwithstanding any certification by the commissioner of employment and economic development under section 116X.05 of a qualified equity investment, the commissioner retains and may use any audit and examination powers to the extent necessary to verify that the taxpayer is eligible for the credit and to assess for the amount of any improperly claimed credit.

(c) The credit does not affect the calculation of police and fire aid under section 69.021.

EFFECTIVE DATE. This section is effective the day following final enactment, and applies to premium tax returns originally due on or after December 31, 2015.

Sec. 15. **[459.36] NO SPENDING OF PUBLIC MONEY FOR CERTAIN RAIL PROJECTS.**

(a) Except as provided in paragraph (b), no city, county, or destination medical center entity may spend or use any money, for any costs related to studying the feasibility of, planning for, designing, engineering, acquiring property or constructing facilities for or related to, or development or operation of intercity or interregional passenger rail facilities or operations between the city of Rochester, or locations in its metropolitan area, and any location in the metropolitan area, as defined in section 473.121, subdivision 2. The provisions of this section apply to the statutory and home rule charter cities and counties located in development regions 10 and 11, as designated under section 462.385, subdivision 1. Destination medical center entity includes the Destination Medical Center Corporation and agency as those terms are defined in section 469.40, and any successor or related entity.

(b) The restrictions under this section do not apply to:

(1) funds the city or county obtains from contributions, grants, or other voluntary payments made by nongovernmental entities from private sources; and

(2) expenditures for costs of public infrastructure, including public utilities, parking facilities, a multi-mode transit hub, or similar projects located within the area of the development district, as defined under section 469.40, and reflected in the development plan adopted before the enactment of this section, that are intended to serve, and that are made following the completed construction and commencement of operation of, privately financed and operated intercity or interregional passenger rail facilities.

EFFECTIVE DATE. This section is effective the day following final enactment without local approval under Minnesota Statutes, section 645.023, subdivision 1, clause (c).

Sec. 16. Minnesota Statutes 2014, section 469.169, is amended by adding a subdivision to read:

Subd. 20. **Additional border city allocations.** (a) In addition to the tax reductions authorized in subdivisions 12 to 19, the commissioner shall annually allocate $1,000,000 thereafter for tax reductions to border city enterprise zones in cities located on the western border of the state. The commissioner shall allocate these amounts among cities on a per capita basis. Allocations made under this subdivision may be used for tax reductions under sections 469.171, 469.1732, and 469.1734, 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 to retain a business within or attract a business to the zone.

(b) The allocations under this subdivision do not cancel or expire, but remain available until used by the city.

EFFECTIVE DATE. This section is effective July 1, 2015.

Sec. 17. Minnesota Statutes 2014, section 469.174, subdivision 12, is amended to read:

Subd. 12. **Economic development district.** "Economic development district" means a type of tax increment financing district which consists of any project, or portions of a project, which the authority finds to be in the public interest because:

(1) it will discourage commerce, industry, or manufacturing from moving their operations to another state or municipality; ~~or~~

(2) it will result in increased employment in the state; ~~or~~

(3) it will result in preservation and enhancement of the tax base of the state; or

(4) it satisfies the requirements of a workforce housing project under section 469.176, subdivision 4c, paragraph (d).

EFFECTIVE DATE. This section is effective for districts for which the request for certification is made after June 30, 2015.

Sec. 18. Minnesota Statutes 2014, section 469.174, subdivision 14, is amended to read:

Subd. 14. **Administrative expenses.** "Administrative expenses" means all expenditures of an authority other than:

(1) amounts paid for the purchase of land;

(2) amounts paid to contractors or others providing materials and services, including architectural and engineering services, directly connected with the physical development of the real property in the project;

(3) relocation benefits paid to or services provided for persons residing or businesses located in the project;

(4) amounts used to pay principal or interest on, fund a reserve for, or sell at a discount bonds issued pursuant to section 469.178; ~~or~~

(5) amounts used to pay other financial obligations to the extent those obligations were used to finance costs described in clauses (1) to (3)~~.~~; or

(6) usual and customary maintenance costs necessary for the preservation of property acquired or constructed with tax increments and owned by the authority or the municipality, including, without limitation, amounts needed for ordinary and extraordinary repairs and maintenance, and capital reserves in an amount not greater than ten percent of the market value of the property.

For districts for which the requests for certifications were made before August 1, 1979, or after June 30, 1982, "administrative expenses" includes amounts paid for services provided by bond counsel, fiscal consultants, and planning or economic development consultants.

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. 19. Minnesota Statutes 2014, 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 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.

(f) Before or at the time of approval of the tax increment financing plan for a district to be used to fund a workforce housing project under section 469.176, subdivision 4c, paragraph (d), the municipality shall make the following findings and shall set forth in writing the reasons and supporting facts for each determination:

(1) the city is located outside of the metropolitan area, as defined in section 473.121, subdivision 2;

(2) the average vacancy rate for rental housing located in the municipality and in any statutory or home rule charter city located within 15 miles or less of the boundaries

of the municipality has been three percent or less for at least the immediately preceding two-year period;

(3) at least one business located in the municipality or within 15 miles of the municipality that employ a minimum of 20 full-time equivalent employees in aggregate has provided a written statement to the municipality indicating that the lack of available rental housing has impeded their ability to recruit and hire employees; and

(4) the municipality and the development authority intend to use increments from the district for the development of rental housing to serve employees of businesses located in the municipality or surrounding area.

EFFECTIVE DATE. This section is effective for districts for which the request for certification is made after June 30, 2015.

Sec. 20. Minnesota Statutes 2014, section 469.176, subdivision 4, is amended to read:

Subd. 4. **Limitation on use of tax increment; general rule.** All revenues derived from tax increment shall be used in accordance with the tax increment financing plan. The revenues shall be used solely for the following purposes: (1) to pay the principal of and interest on bonds issued to finance a project; (2) by a rural development financing authority for the purposes stated in section 469.142, by a port authority or municipality exercising the powers of a port authority to finance or otherwise pay the cost of redevelopment pursuant to sections 469.048 to 469.068, by an economic development authority to finance or otherwise pay the cost of redevelopment pursuant to sections 469.090 to 469.108, by a housing and redevelopment authority or economic development authority to finance or otherwise pay public redevelopment costs pursuant to sections 469.001 to 469.047, by a municipality or economic development authority to finance or otherwise pay the capital and administration costs of a development district pursuant to sections 469.124 to 469.133, by a municipality or authority to finance or otherwise pay the costs of developing and implementing a development action response plan, by a municipality or redevelopment agency to finance or otherwise pay premiums for insurance or other security guaranteeing the payment when due of principal of and interest on the bonds pursuant to chapter 462C, sections 469.152 to 469.165, or both, or to accumulate and maintain a reserve securing the payment when due of the principal of and interest on the bonds pursuant to chapter 462C, sections 469.152 to 469.165, or both, which revenues in the reserve shall not exceed, subsequent to the fifth anniversary of the date of issue of the first bond issue secured by the reserve, an amount equal to 20 percent of the aggregate principal amount of the outstanding and nondefeased bonds secured by the reserve~~.~~; and (3) to pay the costs listed in section 469.174, subdivision 14, but not in excess of the limitation on administrative expenses under subdivision 3.

Tax increment as defined in section 469.174, subdivision 25, clause (2), may be used to pay usual and customary operation and maintenance costs, including, but not limited to, amounts needed for capital reserves in an amount not greater than ten percent of the market value of the property, and ordinary and extraordinary repairs and maintenance of the property purchased by the authority or the municipality with tax increments.

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. 21. Minnesota Statutes 2014, section 469.176, subdivision 4c, is amended to read:

Subd. 4c. **Economic development districts.** (a) Revenue derived from tax increment from an economic development district may not be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form to developments consisting of buildings and ancillary facilities, if more than 15 percent of the buildings and facilities (determined on the basis of square footage) are used for a purpose other than:

(1) the manufacturing or production of tangible personal property, including processing resulting in the change in condition of the property;

(2) warehousing, storage, and distribution of tangible personal property, excluding retail sales;

(3) research and development related to the activities listed in clause (1) or (2);

(4) telemarketing if that activity is the exclusive use of the property;

(5) tourism facilities; ~~or~~

(6) space necessary for and related to the activities listed in clauses (1) to (5); or

(7) a workforce housing project that satisfies the requirements of paragraph (d).

(b) Notwithstanding the provisions of this subdivision, revenues derived from tax increment from an economic development district may be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form for up to 15,000 square feet of any separately owned commercial facility located within the municipal jurisdiction of a small city, if the revenues derived from increments are spent only to assist the facility directly or for administrative expenses, the assistance is necessary to develop the facility, and all of the increments, except those for administrative expenses, are spent only for activities within the district.

(c) A city is a small city for purposes of this subdivision if the city was a small city in the year in which the request for certification was made and applies for the rest of the duration of the district, regardless of whether the city qualifies or ceases to qualify as a small city.

(d) A project qualifies as a workforce housing project under this subdivision if increments from the district are used exclusively to assist in the acquisition of property; construction of improvements; and provision of loans or subsidies, grants, interest rate subsidies, public infrastructure, and related financing costs for rental housing developments in the municipality, and if the governing body of the municipality made the findings for the project required by section 469.175, subdivision 3, paragraph (f).

EFFECTIVE DATE. This section is effective for districts for which the request for certification is made after June 30, 2015.

Sec. 22. Minnesota Statutes 2014, section 469.1761, is amended by adding a subdivision to read:

Subd. 5. **Income limits; state grant and loan program projects.** For a project receiving a loan or grant from the Housing Finance Agency challenge program under section 462A.33 or a grant from the Department of Employment and Economic Development for workforce housing, the income limits under this section do not apply and the project is deemed to be a housing project within the meaning of section 469.174, subdivision 11.

EFFECTIVE DATE. This section is effective for districts for which the request for certification is made after June 30, 2015.

Sec. 23. Minnesota Statutes 2014, section 469.1763, subdivision 1, is amended to read:

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

(b) "Activities" means acquisition of property, clearing of land, site preparation, soils correction, removal of hazardous waste or pollution, installation of utilities, construction of public or private improvements, and other similar activities, but only to the extent that tax increment revenues may be spent for such purposes under other law.

(c) "Third party" means an entity other than (1) the person receiving the benefit of assistance financed with tax increments, or (2) the municipality or the development authority or other person substantially under the control of the municipality.

(d) "Revenues derived from tax increments paid by properties in the district" means only tax increment as defined in section 469.174, subdivision 25, clause (1), and does not include tax increment as defined in section 469.174, subdivision 25, clauses (2)~~,~~ ~~(3), and (4)~~ to (5).

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

Sec. 24. Minnesota Statutes 2014, 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~~ revenues derived from tax increments ~~for~~ paid by properties in 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; and

(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; or

(4) be used to develop housing:

(i) if the market value of the housing does not exceed the lesser of:

(A) 150 percent of the average market value of single-family homes in that municipality; or

(B) $200,000 for municipalities located in the metropolitan area, as defined in section 473.121, or $125,000 for all other municipalities; and

(ii) if the expenditures are used to pay the cost of site acquisition, relocation, demolition of existing structures, site preparation, and pollution abatement on one or more parcels, if the parcel contains a residence containing one to four family dwelling units that has been vacant for six or more months and is in foreclosure as defined in section 325N.10, subdivision 7, but without regard to whether the residence is the owner's principal residence, and only after the redemption period has expired.

(e) For a district created within a biotechnology and health sciences industry zone as defined in Minnesota Statutes 2012, 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. These expenditures are considered as expenditures for activities within the district. The authority provided by this paragraph expires for expenditures made after the later of (1) December 31, 2015, or (2) the end of the five-year period beginning on the date the district was certified, provided that date was before January 1, 2016.

(f) The authority under paragraph (d), clause (4), expires on December 31, 2016. Increments may continue to be expended under this authority after that date, if they are used to pay bonds or binding contracts that would qualify under subdivision 3, paragraph (a), if December 31, 2016, is considered to be the last date of the five-year period after certification under that provision.

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

Sec. 25. Minnesota Statutes 2014, section 469.1763, subdivision 3, is amended to read:

Subd. 3. **Five-year rule.** (a) Revenues derived from tax increments paid by properties in the district are considered to have been expended on an activity within the district under subdivision 2 only if one of the following occurs:

(1) before or within five years after certification of the district, the revenues are actually paid to a third party with respect to the activity;

(2) bonds, the proceeds of which must be used to finance the activity, are issued and sold to a third party before or within five years after certification, the revenues are spent to repay the bonds, and the proceeds of the bonds either are, on the date of issuance, reasonably expected to be spent before the end of the later of (i) the five-year period, or (ii) a reasonable temporary period within the meaning of the use of that term under section 148(c)(1) of the Internal Revenue Code, or are deposited in a reasonably required reserve or replacement fund;

(3) binding contracts with a third party are entered into for performance of the activity before or within five years after certification of the district and the revenues are spent under the contractual obligation;

(4) costs with respect to the activity are paid before or within five years after certification of the district and the revenues are spent to reimburse a party for payment of the costs, including interest on unreimbursed costs; or

(5) expenditures are made for housing purposes as permitted by subdivision 2, paragraphs (b) and (d), or for public infrastructure purposes within a zone as permitted by subdivision 2, paragraph (e).

(b) For purposes of this subdivision, bonds include subsequent refunding bonds if the original refunded bonds meet the requirements of paragraph (a), clause (2).

(c) For a redevelopment district or a renewal and renovation district certified after June 30, 2003, and before April 20, 2009, the five-year periods described in paragraph (a) are extended to ten years after certification of the district. For a redevelopment district certified after April 20, 2009, and before June 30, 2012, the five-year periods described in paragraph (a) are extended to eight years after certification of the district. This extension is provided primarily to accommodate delays in development activities due to unanticipated economic circumstances.

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

Sec. 26. Minnesota Statutes 2014, section 469.178, subdivision 7, is amended to read:

Subd. 7. **Interfund loans.** (a) 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.

(b) Not later than 60 days after money is transferred, advanced, or spent, whichever is earliest, the loan or advance must be authorized~~,~~: (1) by resolution of the governing body or of the authority, whichever has jurisdiction over the fund from which the advance or loan is authorized~~, before money is transferred, advanced, or spent, whichever is earliest~~; or (2) in writing by an appropriate officer of the municipality or the authority to whom the municipality or authority has delegated by resolution power to administer and set the terms and conditions of the interfund loan.

(c) The resolution may generally grant to the municipality or the authority or an appropriate officer thereof the power to make interfund loans under one or more tax increment financing plans or for one or more districts. The resolution may be adopted or the interfund loan may be otherwise documented before or after the adoption of the tax increment financing plan or the creation of the tax increment financing district from which the advance or loan is to be repaid.

(d) The terms and conditions for repayment of the loan must be provided in writing ~~and~~. The written terms and conditions may be in any form, but must include, at a minimum, the principal amount, the interest rate, and maximum term. Written terms may be modified or amended in writing by the municipality or the authority, or an appropriate officer thereof, before the latest termination of the tax increment financing district from which the interfund loan will be paid. 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 authorized, 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. Loans or advances may be structured as draw-down or line-of-credit obligations of the lending fund.

(e) The authority shall report in the annual report submitted pursuant to section 469.175, subdivision 6:

(1) the amount of any interfund loan or advance made in a calendar year; and

(2) any amendment of an interfund loan or advance made in a calendar year.

(f) An interfund loan or advance made by a municipality or an authority for any (1) administrative expenses, (2) planning, inspection, architectural, engineering, surveying, soil testing, and similar costs that are incurred before establishing a tax increment financing district, or (3) transfers made in anticipation of a negative cash balance in a fund for a temporary period not exceeding 12 months, is authorized under paragraph (a) and is not subject to any additional requirements under paragraphs (b) to (d). The authority shall report any interfund loan or advance made under this paragraph in the annual report submitted under section 469.175, subdivision 6.

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. 27. Minnesota Statutes 2014, section 469.40, subdivision 11, as amended by Laws 2015, chapter 1, section 6, is amended to read:

Subd. 11. **Public infrastructure project.** (a) "Public infrastructure project" means a project financed in part or in whole with public money in order to support the medical business entity's development plans, as identified in the DMCC development plan. A public infrastructure project may:

(1) acquire real property and other assets associated with the real property;

(2) demolish, repair, or rehabilitate buildings;

(3) remediate land and buildings as required to prepare the property for acquisition or development;

(4) install, construct, or reconstruct elements of public infrastructure required to support the overall development of the destination medical center development district including, but not limited to, streets, roadways, utilities systems and related facilities, utility relocations and replacements, network and communication systems, streetscape improvements, drainage systems, sewer and water systems, subgrade structures and associated improvements, landscaping, façade construction and restoration, wayfinding and signage, and other components of community infrastructure;

(5) acquire, construct or reconstruct, and equip parking facilities and other facilities to encourage intermodal transportation and public transit;

(6) install, construct or reconstruct, furnish, and equip parks, cultural, and recreational facilities, facilities to promote tourism and hospitality, conferencing and conventions, and broadcast and related multimedia infrastructure;

(7) make related site improvements including, without limitation, excavation, earth retention, soil stabilization and correction, and site improvements to support the destination medical center development district;

(8) prepare land for private development and to sell or lease land;

(9) provide costs of relocation benefits to occupants of acquired properties; and

(10) construct and equip all or a portion of one or more suitable structures on land owned by the city for sale or lease to private development; provided, however, that the

portion of any structure directly financed by the city as a public infrastructure project must not be sold or leased to a medical business entity.

(b) A public infrastructure project is not a business subsidy under section 116J.993.

(c) Public infrastructure project includes the planning, preparation, and modification of the development plan under section 469.43~~, and~~. The cost of that planning, preparation, and any modification is a capital cost of the public infrastructure project.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Rochester and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3, and applies retroactively to the original effective dates of the laws that are amended.

Sec. 28. Minnesota Statutes 2014, section 469.43, is amended by adding a subdivision to read:

Subd. 6a. **Restriction on city funds to support nonprofit economic development agency.** The nonprofit economic development agency shall not require the city to pay any amounts to the nonprofit economic development agency that are unrelated to public infrastructure project costs.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Rochester and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3, and applies retroactively from June 22, 2013.

Sec. 29. Minnesota Statutes 2014, section 469.45, subdivision 1, is amended to read:

Subdivision 1. **Rochester, other local taxes authorized.** (a) Notwithstanding section 477A.016 or any other contrary provision of law, ordinance, or city charter, and in addition to any taxes the city may impose on these transactions under another statute or law, the city of Rochester may, by ordinance, impose at a rate or rates, determined by the city, any of the following taxes:

(1) a tax on the gross receipts from the furnishing for consideration of lodging and related services as defined in section 297A.61, subdivision 3, paragraph (g), clause (2); the city may choose to impose a differential tax based on the number of rooms in the facility;

(2) a tax on the gross receipts of food and beverages sold primarily for consumption on the premises by restaurants and places of refreshment that occur in the city of Rochester; the city may elect to impose the tax in a defined district of the city; and

(3) a tax on the admission receipts to entertainment and recreational facilities, as defined by ordinance, in the city of Rochester.

(b) The provisions of section 297A.99, subdivisions 4 to 13, govern the administration, collection, and enforcement of any tax imposed by the city under paragraph (a).

(c) The proceeds of any taxes imposed under this subdivision, less refunds and costs of collection, must be used by the city only to meet its share of obligations for public infrastructure projects contained in the development plan and approved by the corporation, including any associated financing costs or to pay any other costs qualifying as a local matching contribution under section 469.47, subdivision 4. Any tax imposed under paragraph (a) expires at the earlier of December 31, 2049, or when the city council determines that sufficient funds have been raised from the tax plus all other local funding sources authorized in Laws 2013, chapter 143, article 10, to meet the city obligation for financing public infrastructure projects contained in the development plan and approved by the corporation, including any associated financing costs.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Rochester and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3, and applies retroactively to the original effective dates of the laws that are amended.

Sec. 30. Minnesota Statutes 2014, section 469.45, subdivision 2, is amended to read:

Subd. 2. **General sales tax authority.** The city may elect to extend the existing local sales and use tax under Laws 2013, chapter 143, article 10, section 13, or to impose an additional rate of up to one quarter of one percent tax on sales and use under Laws 2013, chapter 143, article 10, section 11. The proceeds of any extended or additional taxes imposed under this subdivision, less refunds and costs of collection, must be used by the city only to meet its share of obligations for public infrastructure projects contained in the development plan and approved by the corporation, including all financing costs. Revenues collected in any year to meet the obligations must be used for payment of obligations or expenses for public infrastructure projects approved by the corporation or of any other costs qualifying as a local matching contribution under section 469.47, subdivision 4.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Rochester and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3, and applies retroactively to the original effective dates of the laws that are amended.

Sec. 31. Minnesota Statutes 2014, section 469.47, subdivision 4, as amended by Laws 2015, chapter 1, section 10, is amended to read:

Subd. 4. **General aid; local matching contribution.** In order to qualify for general state infrastructure aid, the city must enter a written agreement with the commissioner that requires the city to make a qualifying local matching contribution to pay for $128,000,000 of the cost of public infrastructure projects approved by the corporation, including financing costs, using funds other than state aid received under this section. The ~~$128,000,000~~ required local matching contribution is reduced by ~~one-half of the~~ any amounts the city pays ~~for operating and administrative costs~~ out of funds other than state aid received under this section for the support, administration, or operations of the corporation and the economic development agency up to a maximum amount agreed to by the board and the city. These amounts include any costs the city incurs in providing services, goods, or other support to the corporation or agency. The agreement must provide for the manner, timing, and amounts of the city contributions, including the city's commitment for each year. Notwithstanding any law to the contrary, the agreement may provide that the city contributions for public infrastructure project principal costs may be made over a 20-year period at a rate not greater than $1 from the city for each $2.55 from the state. The local match contribution may be provided by the city from any source identified in section 469.45 and any other local tax proceeds or other funds from the city and may include providing funds to prepare the development plan, to assist developers undertaking projects in accordance with the development plan, or by the city directly undertaking public infrastructure projects in accordance with the development plan, provided the projects have been approved by the corporation. City contributions that are in excess of this ratio carry forward and are credited toward subsequent years. The commissioner and city may agree to amend the agreement at any time in light of new information or other appropriate factors. The city may enter into arrangements with the county to pay for or otherwise meet the local matching contribution requirement. Any public infrastructure project within the area that will be in the destination medical center development district whose implementation is started or funded by the city after June 22, 2013, but before the development plan is adopted, as provided by section 469.43, subdivision 1, will be included for the purposes of determining the amount the city has contributed as required by this section and the agreement with the commissioner, subject to approval by the corporation.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Rochester and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3, and applies retroactively to the original effective dates of the laws that are amended.

Sec. 32. **[473.1467] NO SPENDING FOR CERTAIN RAIL PROJECTS.**

(a) Except as provided in paragraph (b), the council must not spend or use any money for any costs related to studying the feasibility of, planning for, designing, engineering, acquiring property or constructing facilities for or related to, or development or operation of intercity or interregional passenger rail facilities or operations between the city of Rochester, or locations in its metropolitan area, and any location in the metropolitan area.

(b) The restrictions under this section do not apply to funds the council obtains from contributions, grants, or other voluntary payments made by nongovernmental entities from private sources.

EFFECTIVE DATE; APPLICATION. This section is effective the day following final enactment and applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, and Washington.

Sec. 33. Laws 2014, chapter 308, article 6, section 7, is amended to read:

Sec. 7. **CITY OF EAGAN; TAX INCREMENT FINANCING.**

(a) Effective for taxes payable in 2015, the city of Eagan may elect to compute tax increment for the Cedar Grove Tax Increment Financing District using the current local tax rate, notwithstanding the provisions of Minnesota Statutes, section 469.177, subdivision 1a.

(b) The requirements of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, is considered to be met for the Cedar Grove Tax Increment Financing District in the city of Eagan if the activities are undertaken within 13 years from the date of certification of the district.

(c) Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, or any other law to the contrary, the city of Eagan may collect tax increment from the Cedar Grove Tax Increment Financing District through December 31, 2032. Notwithstanding the provisions of Minnesota Statutes, section 469.1782, subdivision 2, any extension under this paragraph takes effect with regard to any affected local government unit, as that term is defined in section 469.1782, subdivision 2, that approved the extension, subject to the provisions of paragraph (d).

(d) For purposes of any extension under paragraph (c), if the governing body of an affected local government unit does not approve the extension, but the extension takes effect because one or more other affected local government units approve, the following rules apply:

(1) tax increments during the period of the extension that are attributable to levies imposed by an affected local government unit that did not approve the extension must be paid by the county to the affected local government unit that did not approve the extension;

(2) for increment paid to the school district during the period of the extension, the school district must report the amounts to the commissioner of education, along with any additional information required by the commissioner and at the times required by the commissioner; and

(3) the commissioner of education shall deduct from state aid payable to the school district the amount of the reported tax increment attributable to state equalized levies.

EFFECTIVE DATE. The amendment to paragraph (c) extending the duration of the district to 2034 is effective after one or more of the governing bodies of the city of Eagan, Dakota County, and Independent School District No. 191 comply with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3.

Sec. 34. **CITY OF COON RAPIDS; TAX INCREMENT FINANCING.**

Effective for taxes payable in 2016, the city of Coon Rapids may elect to compute tax increment for District 6-1 Port Riverwalk using the current local tax rate notwithstanding the provisions of Minnesota Statutes, section 469.177, subdivision 1a.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Coon Rapids and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 35. **CITY OF COTTAGE GROVE; TAX INCREMENT FINANCING.**

The requirement of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, are considered to be met for Tax Increment Financing District No. 1-12 (Gateway North), administered by the Cottage Grove Economic Development Authority, if the activities are undertaken prior to January 1, 2017.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Cottage Grove and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 36. **CITY OF ST. PAUL; TIF AUTHORITY.**

If the housing and redevelopment authority of the city of St. Paul authorizes the creation of a redevelopment tax increment financing district under Minnesota Statutes, section 469.174, subdivision 10, parcel numbers 17-28-23-31-0001 and 17-28-23-13-0002 are deemed to meet the requirements of Minnesota Statutes, section 469.174, subdivision 10, paragraph (d), notwithstanding any contrary provisions of that paragraph, if the following conditions are met:

(1) buildings located on the parcels were demolished after the housing and redevelopment authority of the city of St. Paul adopted a resolution under Minnesota Statutes, section 469.174, subdivision 10, paragraph (d), clause (3);

(2) the buildings were removed either by the housing and redevelopment authority of the city of St. Paul or by the owner of the property by entering into a development agreement; and

(3) the request for certification of the parcels as part of a district is filed with the county auditor by December 31, 2020.

EFFECTIVE DATE. This section is effective upon approval by the governing body of the city of St. Paul and compliance with the requirements of Minnesota Statutes, section 645.021.

Sec. 37. **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. 38. **CITY OF WAYZATA; TAX INCREMENT FINANCING.**

The requirements of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, are considered to be met for Tax Increment Financing District 3 (Widsten) in the city of Wayzata if the revenues derived from tax increments from the district are expended for any project contemplated by the original tax increment financing plan for the district, including, without limitation, a municipal parking ramp within the district.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Wayzata and its chief clerical officer comply with the requirements of Minnesota Statutes, section 645.021, subdivisions 2 and 3.

ARTICLE 6

SALES AND USE TAXES

Section 1. Minnesota Statutes 2014, section 296A.16, subdivision 2, is amended to read:

Subd. 2. **Fuel used in other vehicle; claim for refund.** Any person who buys and uses gasoline for a qualifying purpose other than use in motor vehicles, snowmobiles except as provided in clause (2), or motorboats, or special fuel for a qualifying purpose other than use in licensed motor vehicles, and who paid the tax directly or indirectly through the amount of the tax being included in the price of the gasoline or special fuel, or otherwise, shall be reimbursed and repaid the amount of the tax paid upon filing with the commissioner a claim for refund in the form and manner prescribed by the commissioner, and containing the information the commissioner shall require. By signing any such claim which is false or fraudulent, the applicant shall be subject to the penalties provided in this chapter for knowingly making a false claim. The claim shall set forth the total amount of the gasoline so purchased and used by the applicant other than in motor vehicles, or special fuel purchased and used by the applicant other than in licensed motor vehicles, and shall state when and for what purpose it was used. When a claim contains an error in computation or preparation, the commissioner is authorized to adjust the claim in accordance with the evidence shown on the claim or other information available to the commissioner. The commissioner, on being satisfied that the claimant is entitled to the payments, shall approve the claim and transmit it to the commissioner of management and budget. The words "gasoline" or "special fuel" as used in this subdivision do not include aviation gasoline or special fuel for aircraft. Gasoline or special fuel bought and used for a "qualifying purpose" means:

(1) Gasoline or special fuel used in carrying on a trade or business, used on a farm situated in Minnesota, and used for a farming purpose. "Farm" and "farming purpose" have the meanings given them in section 6420(c)(2), (3), and (4) of the Internal Revenue Code as defined in section 289A.02, subdivision 7.

(2) Gasoline or special fuel used for off-highway business use.

(i) "Off-highway business use" means any use off the public highway by a person in that person's trade, business, or activity for the production of income.

(ii) Off-highway business use includes use of a passenger snowmobile off the public highways as part of the operations of a resort as defined in section 157.15, subdivision 11; and use of gasoline or special fuel to operate a power takeoff unit on a vehicle, but not including fuel consumed during idling time.

(iii) Off-highway business use does not include use as a fuel in a motor vehicle which, at the time of use, is registered or is required to be registered for highway use under the laws of any state or foreign country; or use of a licensed motor vehicle fuel tank in lieu of a separate storage tank for storing fuel to be used for a qualifying purpose, as defined in this section. Fuel purchased to be used for a qualifying purpose cannot be placed in the fuel tank of a licensed motor vehicle and must be stored in a separate supply tank.

(3) Gasoline or special fuel placed in the fuel tanks of new motor vehicles, manufactured in Minnesota, and shipped by interstate carrier to destinations in other states or foreign countries.

(4) Special fuel used in one of the following:

(i) to power a refrigeration unit mounted on a licensed motor vehicle, provided that the unit has an engine separate from the one used to propel the vehicle and the fuel is used exclusively for the unit;

(ii) to power an unlicensed motor vehicle that is used solely or primarily to move semitrailers within a cargo yard, warehouse facility, or intermodal facility; or

(iii) to operate a power take-off unit or auxiliary engine in or on a licensed motor vehicle, whether or not the unit or engine is fueled from the same or a different fuel tank as that from which the motor vehicle is fueled.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 2. Minnesota Statutes 2014, 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. In applying the provisions of this chapter, the terms "tangible personal property" and "retail sale" include the taxable services listed in paragraph (g), 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).

(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, 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 and including accommodations intermediary services provided in connection with other services provided under this clause;

(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 by a third party, excluding delivery of aggregate material used in road construction; and delivery of concrete block by a third party if the delivery would be subject to the sales tax if provided by the seller of the concrete block. For purposes of this clause, "road construction" means construction of:

(i) public roads;

(ii) cartways; and

(iii) private roads in townships located outside of the seven-county metropolitan area up to the point of the emergency response location sign; 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 or any organization at the direction of a county 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.

(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, ancillary services associated with telecommunication services, and pay television services. 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 59B.02, subdivision 11.

~~(l) A sale and a purchase includes furnishing for a consideration of specified digital products or other digital products or granting the right for a consideration to use specified digital products or other digital products on a temporary or permanent basis and regardless of whether the purchaser is required to make continued payments for such right. Wherever the term "tangible personal property" is used in this chapter, other than in subdivisions 10 and 38, the provisions also apply to specified digital products, or other digital products, unless specifically provided otherwise or the context indicates otherwise.~~

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 3. Minnesota Statutes 2014, section 297A.61, subdivision 4, is amended to read:

Subd. 4. **Retail sale.** (a) A "retail sale" means:

(1) any sale, lease, or rental of tangible personal property 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; and

(2) any sale of a service enumerated in subdivision 3, for any purpose other than resale 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 11, 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.

(n) A sale of motor vehicle repair paint and materials by a motor vehicle repair or body shop business is a retail sale and the sales tax is imposed on the gross receipts from the retail sale of the paint and materials. The motor vehicle repair or body shop that purchases motor vehicle repair paint and motor vehicle repair materials for resale must either:

(1) separately state each item of paint and each item of materials, and the sales price of each, on the invoice to the purchaser; or

(2) in order to calculate the sales price of the paint and materials, use a method which estimates the amount and monetary value of the paint and materials used in the repair of the motor vehicle by multiplying the number of labor hours by a rate of consideration for the paint and materials used in the repair of the motor vehicle following industry standard practices that fairly calculate the gross receipts from the retail sale of the motor vehicle repair paint and motor vehicle repair materials. An industry standard practice fairly calculates the gross receipts if the sales price of the paint and materials used or consumed in the repair of a motor vehicle equals or exceeds the purchase price paid by the motor vehicle repair or body shop business. Under this clause, the invoice must either separately state the "paint and materials" as a single taxable item, or separately state "paint" as a taxable item and "materials" as a taxable item. This clause does not apply to wholesale transactions at an auto auction facility.

~~(o) A sale of specified digital products or other digital products to an end user with or without rights of permanent use and regardless of whether rights of use are conditioned upon payment by the purchaser is a retail sale. When a digital code has been purchased that relates to specified digital products or other digital products, the subsequent receipt of or access to the related specified digital products or other digital products is not a retail sale.~~

~~(p)~~ (o) A payment made to a cooperative electric association or public utility as a contribution in aid of construction is a contract for improvement to real property and is not a retail sale.

(p) When either a manufacturer or a subcontractor of a manufacturer installs a modular home, as defined in section 297A.668, subdivision 8, paragraph (b), on a foundation, it is not a retail sale.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 4. Minnesota Statutes 2014, section 297A.61, subdivision 38, is amended 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, and intangibles, ~~and digital goods, including specified digital products or other digital products,~~ 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 after June 30, 2015.

Sec. 5. Minnesota Statutes 2014, section 297A.62, subdivision 3, is amended to read:

Subd. 3. **Manufactured housing and park trailers; modular housing.** (a) For retail sales of manufactured homes as defined in section 327.31, subdivision 6, for residential uses, the sales tax under subdivisions 1 and 1a is imposed on 65 percent of the dealer's cost of the manufactured home. For retail sales of new or used park trailers, as defined in section 168.002, subdivision 23, the sales tax under subdivisions 1 and 1a is imposed on 65 percent of the sales price of the park trailer.

(b) For retail sales of a modular home, as defined in section 297A.668, subdivision 8, paragraph (b), for residential use, the sales tax under subdivisions 1 and 1a is imposed on 65 percent of the invoice price of the modular home.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 6. Minnesota Statutes 2014, section 297A.668, subdivision 1, is amended to read:

Subdivision 1. **Applicability.** The provisions of this section apply regardless of the characterization of a product as tangible personal property~~, a digital good,~~ or a service; but do not apply to telecommunications services or the sales of motor vehicles. These provisions only apply to determine a seller's obligation to pay or collect and remit a sales or use tax with respect to the seller's sale of a product. These provisions do not affect the obligation of a seller as purchaser to remit tax on the use of the product.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 7. Minnesota Statutes 2014, section 297A.668, subdivision 2, is amended to read:

Subd. 2. **Sourcing rules.** (a) The retail sale, excluding lease or rental, of a product shall be sourced as required in paragraphs (b) through (f).

(b) When the product is received by the purchaser at a business location of the seller, the sale is sourced to that business location.

(c) When the product is not received by the purchaser at a business location of the seller, the sale is sourced to the location where receipt by the purchaser or the donee designated by the purchaser occurs, including the location indicated by instructions for delivery to the purchasers or the purchaser's donee, known to the seller.

(d) When paragraphs (b) and (c) do not apply, the sale is sourced to the location indicated by an address for the purchaser that is available from the business records of the seller that are maintained in the ordinary course of the seller's business, when use of this address does not constitute bad faith.

(e) When paragraphs (b), (c), and (d) do not apply, the sale is sourced to the location indicated by an address for the purchaser obtained during the consummation of the sale, including the address of a purchaser's payment instrument if no other address is available, when use of this address does not constitute bad faith.

(f) When paragraphs (b), (c), (d), and (e) do not apply, including the circumstance where the seller is without sufficient information to apply the previous paragraphs, then the location is determined by the address from which tangible personal property was shipped, from which ~~the digital good or~~ the computer software delivered electronically was first available for transmission by the seller, or from which the service was provided. ~~For purposes of this paragraph, the seller must disregard any location that merely provided the digital transfer of the product sold.~~

(g) For purposes of this subdivision, the terms "receive" and "receipt" mean taking possession of tangible personal property, making first use of services, or taking possession or making first use of ~~digital goods or~~ the computer software delivered electronically, whichever occurs first. The terms receive and receipt do not include possession by a carrier for hire on behalf of the purchaser.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 8. Minnesota Statutes 2014, section 297A.668, subdivision 6a, is amended to read:

Subd. 6a. **Multiple points of use.** (a) Notwithstanding the provisions of subdivisions 2 and 3, a business purchaser that has not received authorization to pay the tax directly to the commissioner may use an exemption certificate indicating multiple points of use if:

(1) the purchaser knows at the time of its purchase of ~~a digital good,~~ computer software delivered electronically, or a service that the good or service will be concurrently available for use in more than one taxing jurisdiction; and

(2) the purchaser delivers to the seller the exemption certificate indicating multiple points of use at the time of purchase.

(b) Upon receipt of the fully completed exemption certificate indicating multiple points of use, the seller is relieved of the obligation to collect, pay, or remit the applicable tax and the purchaser is obligated to collect, pay, or remit the applicable tax on a direct pay basis. The provisions of section 297A.665 apply to this paragraph.

(c) The purchaser delivering the exemption certificate indicating multiple points of use may use any reasonable but consistent and uniform method of apportionment that is supported by the purchaser's business records as they exist at the time of the consummation of the sale.

(d) The purchaser shall provide the exemption certificate indicating multiple points of use to the seller at the time of purchase.

(e) A purchaser that has received authorization to pay the tax directly to the commissioner is not required to deliver to the seller an exemption certificate indicating multiple points of use. A purchaser that has received authorization to pay the tax directly to the commissioner shall follow the provisions of paragraph (c) in apportioning the tax due on ~~a digital good,~~ computer software delivered electronically, or a service that will be concurrently available for use in more than one taxing jurisdiction.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 9. Minnesota Statutes 2014, section 297A.668, subdivision 7, is amended to read:

Subd. 7. **Advertising and promotional direct mail.** (a) Notwithstanding other subdivisions of this section, the provisions in paragraphs (b) to (e) apply to the sale of advertising and promotional direct mail. "Advertising and promotional direct mail" means printed material that is direct mail as defined in section 297A.61, subdivision 35, the primary purpose of which is to attract public attention to a product, person, business, or organization, or to attempt to sell, popularize, or secure financial support for a person, business, organization, or product. "Product" includes tangible personal property~~, a digital product transferred electronically,~~ or a service.

(b) A purchaser of advertising and promotional direct mail may provide the seller with one of the following:

(1) a fully completed exemption certificate as described in section 297A.72 indicating that the purchaser is authorized to pay any sales or use tax due on purchases made by the purchaser directly to the commissioner under section 297A.89;

(2) a fully completed exemption certificate claiming an exemption for direct mail; or

(3) information showing the jurisdictions to which the advertising and promotional direct mail is to be delivered to recipients.

(c) In the absence of bad faith, if the purchaser provides one of the exemption certificates indicated in paragraph (b), clauses (1) and (2), the seller is relieved of all obligations to collect, pay, or remit the applicable tax and the purchaser is obligated to pay or remit the tax on any transaction involving advertising and promotional direct mail to which the certificate applies. The purchaser shall source the sale to the jurisdictions to which the advertising and promotional direct mail is to be delivered to the recipients of the mail, and shall report and pay any applicable tax due.

(d) If the purchaser provides the seller information showing the jurisdictions to which the advertising and promotional direct mail is to be delivered to recipients, the seller shall source the sale to the jurisdictions to which the advertising and promotional direct mail is to be delivered and shall collect and remit the applicable tax. In the absence of bad faith, the seller is relieved of any further obligation to collect any additional tax on the sale of advertising and promotional direct mail where the seller has sourced the sale according to the delivery information provided by the purchaser.

(e) If the purchaser does not provide the seller with any of the items listed in paragraph (b), the sale shall be sourced under subdivision 2, paragraph (f). Nothing in this paragraph limits a purchaser's obligation for sales or use tax to any state to which the direct mail is delivered.

(f) This subdivision does not apply to printed materials that result from developing billing information or providing any data processing service that is more than incidental to producing the printed materials, regardless of whether advertising and promotional direct mail is included in the same mailing.

(g) If a transaction is a bundled transaction that includes advertising and promotional direct mail, this subdivision applies only if the primary purpose of the transaction is the sale of products or services that meet the definition of advertising and promotional direct mail.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 10. Minnesota Statutes 2014, section 297A.669, subdivision 14a, is amended 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 after June 30, 2015.

Sec. 11. Minnesota Statutes 2014, section 297A.67, subdivision 7a, is amended to read:

Subd. 7a. **Accessories and supplies.** Accessories and supplies required for the effective use of durable medical equipment for home use only or purchased in a transaction covered by Medicare ~~or~~, Medicaid, or other health insurance plan, that are not already exempt under subdivision 7, are exempt. Accessories and supplies for the effective use of a prosthetic device, that are not already exempt under subdivision 7, are exempt. For purposes of this subdivision "durable medical equipment," "prosthetic device," "Medicare," and "Medicaid" have the definitions given in subdivision 7~~.~~, and "other health insurance plan" means a health plan defined in section 62A.011, subdivision 3, or 62V.02, subdivision 4, or a qualified health plan defined in section 62A.011, subdivision 7.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 12. Minnesota Statutes 2014, section 297A.67, subdivision 13a, is amended to read:

Subd. 13a. **Instructional materials.** (a) Instructional materials, other than textbooks, that are prescribed for use in conjunction with a course of study in a postsecondary school, college, university, or private career school to students who are regularly enrolled at such institutions are exempt. For purposes of this subdivision, "instructional materials" means materials required to be used directly in the completion of the course of study, including, but not limited to~~,~~:

(1) interactive CDs, tapes, digital audio works, digital audiovisual works, and computer software;

(2) charts and models used in the course of study; and

(3) specialty pens, pencils, inks, paint, paper, and other art supplies for art classes.

(b) Notwithstanding paragraph (c), if the course of study is necessary to obtaining a degree or certification for a trade or career, any equipment, tools, and supplies required during the course of study that are generally used directly in the practice of the career or trade are also exempt.

(c) Instructional materials do not include general reference works or other items incidental to the instructional process such as pens, pencils, paper, folders, or computers that are of general use outside of the course of study.

(d) For purposes of this subdivision, "school" and "private career school" have the meanings given in subdivision 13.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 13. Minnesota Statutes 2014, section 297A.67, is amended by adding a subdivision to read:

Subd. 34. **Propane tanks.** (a) Propane tanks with a propane capacity of at least 100 gallons, and any valves and regulators necessary for use of the propane tank, are exempt when purchased by the user of the tank. This exemption does not apply to the lease of a propane tank from a propane supplier or dealer.

(b) This subdivision expires December 31, 2017.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to sales and purchases made on or after that date.

Sec. 14. Minnesota Statutes 2014, section 297A.67, is amended by adding a subdivision to read:

Subd. 35. **Precious metal bullion.** (a) Precious metal bullion is exempt. For purposes of this subdivision, "precious metal bullion" is any product that is:

(1) at least 90 percent by actual weight of gold, silver, platinum, or palladium;

(2) bought and sold on a current spot market price, including a transaction fee, for immediate payment and an agreed delivery date; and

(3) in the form of coins, rounds, bars, or any other form that meets the requirements of clauses (1) and (2).

(b) For purposes of this subdivision, "spot market price" means the current price of the actual precious metal as set by a recognized commodities exchange.

(c) The intent of this subdivision is to eliminate the difference in tax treatment between the sale of precious metal bullion and the sale of stocks, bullion EFTs, bonds, and other investment instruments.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 15. Minnesota Statutes 2014, section 297A.68, subdivision 5, is amended to read:

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

"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 and machinery and equipment used by restaurants in the furnishing, preparing, or serving of prepared foods as defined in section 297A.61, subdivision 31.

(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)~~ (8) 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)~~ (9) 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) This subdivision does not apply to telecommunications equipment as provided in subdivision 35a, 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, 2015.

Sec. 16. Minnesota Statutes 2014, section 297A.68, subdivision 19, is amended to read:

Subd. 19. **Petroleum products.** The following petroleum products are exempt:

(1) products upon which a tax has been imposed and paid under chapter 296A, and for which no refund has been or will be allowed because the buyer used the fuel for nonhighway use;

(2) products that are used in the improvement of agricultural land by constructing, maintaining, and repairing drainage ditches, tile drainage systems, grass waterways, water impoundment, and other erosion control structures;

(3) products purchased by a transit system receiving financial assistance under section 174.24, 256B.0625, subdivision 17, or 473.384;

(4) products purchased by an ambulance service licensed under chapter 144E;

(5) products used in a passenger snowmobile, as defined in section 296A.01, subdivision 39, for off-highway business use as part of the operations of a resort as provided under section 296A.16, subdivision 2, clause (2);

(6) products purchased by a state or a political subdivision of a state for use in motor vehicles exempt from registration under section 168.012, subdivision 1, paragraph (b);

(7) products purchased by providers of transportation to recipients of medical assistance home and community-based services waivers enrolled in day programs, including adult day care, family adult day care, day treatment and habilitation, prevocational services, and structured day services; ~~or~~

(8) products used in a motor vehicle used exclusively as a mobile medical unit for the provision of medical or dental services by a federally qualified health center, as defined under title 19 of the federal Social Security Act, as amended by Section 4161 of the Omnibus Budget Reconciliation Act of 1990; or

(9) special fuels eligible for a motor fuel tax refund under section 296A.16, subdivision 2, clause (4).

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 17. Minnesota Statutes 2014, section 297A.70, subdivision 4, is amended to read:

Subd. 4. **Sales to nonprofit groups.** (a) All sales, except those listed in paragraph ~~(b)~~ (c), to ~~the following~~ "nonprofit organizations" are exempt if the item purchased is used in the performance of their exempt function. The exemptions under this paragraph do not apply to:

(1) ~~a corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes if the item purchased is used in the performance of charitable, religious, or educational functions; and~~ veterans groups under subdivision 5;

(2) ~~any senior citizen group or association of groups that:~~ hospitals, outpatient surgical centers, and critical access dental providers under subdivision 7, paragraphs (a), (b), (c), (e), and (f);

~~(i) in general limits membership to persons who are either age 55 or older, or physically disabled;~~

~~(ii) is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes, not including housing, no part of the net earnings of which inures to the benefit of any private shareholders; and~~

~~(iii) is an exempt organization under section 501(c) of the Internal Revenue Code.~~

(3) products and services under subdivision 7, paragraph (d); or

(4) nursing homes and boarding care homes under subdivision 18.

(b) For purposes of this subdivision, ~~charitable purpose includes the maintenance of a cemetery owned by a religious organization.~~ "nonprofit organization" means:

(1) an organization that has a current federal determination letter stating that the nonprofit organization qualifies as an exempt organization under section 501(c)(3) of the Internal Revenue Code and has obtained a Minnesota tax identification number from the Department of Revenue under section 297A.83; or

(2) any senior citizen group or association of groups that:

(i) in general, limits membership to persons who are either age 55 or older or physically disabled;

(ii) is not organized and operated exclusively for housing; and

(iii) is an exempt organization under section 501(c) of the Internal Revenue Code.

~~(b)~~ (c) This exemption does not apply to the following sales:

(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 that will not be used principally by the tax-exempt entities;

(3) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause (2), and prepared food, candy, soft drinks, and alcoholic beverages as defined in section 297A.67, subdivision 2, except wine purchased by an established religious organization for sacramental purposes or as allowed under subdivision 9a; and

(4) leasing of a motor vehicle as defined in section 297B.01, subdivision 11, except as provided in paragraph ~~(c)~~ (d).

~~(c)~~ (d) This exemption applies to the leasing of a motor vehicle as defined in section 297B.01, subdivision 11, only if the vehicle is:

(1) a truck, as defined in section 168.002, a bus, as defined in section 168.002, or a passenger automobile, as defined in section 168.002, if the automobile is designed and used for carrying more than nine persons including the driver; and

(2) 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.

~~(d)~~ (e) 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.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 18. Minnesota Statutes 2014, section 297A.70, subdivision 10, is amended to read:

Subd. 10. **Nonprofit tickets or admissions.** (a) Tickets or admissions to an event are exempt if all the gross receipts are recorded as such, in accordance with generally accepted accounting principles, on the books of one or more organizations whose primary mission is to provide an opportunity for citizens of the state to participate in the creation, performance, or appreciation of the arts, and provided that each organization is:

(1) an organization described in section 501(c)(3) of the Internal Revenue Code in which voluntary contributions make up at least five percent of the organization's annual

revenue in its most recently completed 12-month fiscal year, or in the current year if the organization has not completed a 12-month fiscal year;

(2) a municipal board that promotes cultural and arts activities; or

(3) the University of Minnesota, a state college and university, or a private nonprofit college or university provided that the event is held at a facility owned by the educational institution holding the event.

The exemption only applies if the entire proceeds, after reasonable expenses, are used solely to provide opportunities for citizens of the state to participate in the creation, performance, or appreciation of the arts.

(b) Tickets or admissions to the premises of the Minnesota Zoological Garden are exempt, provided that the exemption under this paragraph does not apply to tickets or admissions to performances or events held on the premises unless the performance or event is sponsored and conducted exclusively by the Minnesota Zoological Board or employees of the Minnesota Zoological Garden.

<u>(c) Tickets or admissions to a performance or event on the premises of a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code are exempt if:</u>

<u>(1) the nonprofit organization was established to preserve Minnesota's rural agricultural heritage and focuses on educating the public about rural history and how farms in Minnesota helped to provide food for the nation and the world;</u>

<u>(2) the premises of the nonprofit organization is at least 115 acres;</u>

<u>(3) the performance or event is sponsored and conducted exclusively by volunteers, employees of the nonprofit organization, or members of the board of directors of the nonprofit organization; and</u>

<u>(4) the performance or event is consistent with the nonprofit organization's purposes under section 501(c)(3) of the Internal Revenue Code.</u>

<u>**EFFECTIVE DATE.** This section is effective the day following final enactment.</u>

Sec. 19. Minnesota Statutes 2014, section 297A.70, subdivision 14, is amended to read:

Subd. 14. **Fund-raising events sponsored by nonprofit groups.** (a) Sales of tangible personal property or services at, and admission charges for fund-raising events sponsored by, a nonprofit organization are exempt if:

(1) all gross receipts are recorded as such, in accordance with generally accepted accounting practices, on the books of the nonprofit organization; and

(2) the entire proceeds, less the necessary expenses for the event, will be used solely and exclusively for charitable, religious, or educational purposes. Exempt sales include the sale of prepared food, candy, and soft drinks at the fund-raising event.

(b) This exemption is limited in the following manner:

(1) it does not apply to admission charges for events involving bingo or other gambling activities or to charges for use of amusement devices involving bingo or other gambling activities;

(2) all gross receipts are taxable if the profits are not used solely and exclusively for charitable, religious, or educational purposes;

(3) it does not apply unless the organization keeps a separate accounting record, including receipts and disbursements from each fund-raising event that documents all deductions from gross receipts with receipts and other records;

(4) it does not apply to any sale made by or in the name of a nonprofit corporation as the active or passive agent of a person that is not a nonprofit corporation;

(5) all gross receipts are taxable if fund-raising events exceed 24 days per year;

(6) it does not apply to fund-raising events conducted on premises leased for more than ~~five~~ ten days but less than 30 days; and

(7) it does not apply if the risk of the event is not borne by the nonprofit organization and the benefit to the nonprofit organization is less than the total amount of the state and local tax revenues forgone by this exemption.

(c) For purposes of this subdivision, a "nonprofit organization" means any unit of government, corporation, society, association, foundation, or institution organized and operated for charitable, religious, educational, civic, fraternal, and senior citizens' or veterans' purposes, no part of the net earnings of which inures to the benefit of a private individual.

(d) For purposes of this subdivision, "fund-raising events" means activities of limited duration, not regularly carried out in the normal course of business, that attract patrons for community, social, and entertainment purposes, such as auctions, bake sales, ice cream socials, block parties, carnivals, competitions, concerts, concession stands, craft sales, bazaars, dinners, dances, door-to-door sales of merchandise, fairs, fashion shows, festivals, galas, special event workshops, sporting activities such as marathons and tournaments, and similar events. Fund-raising events do not include the operation of a regular place of business in which services are provided or sales are made during regular hours such as bookstores, thrift stores, gift shops, restaurants, ongoing Internet sales, regularly scheduled classes, or other activities carried out in the normal course of business.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 20. Minnesota Statutes 2014, section 297A.70, is amended by adding a subdivision to read:

Subd. 20. **Animal shelters.** (a) For purposes of this subdivision, the term "animal shelter" means a nonprofit organization engaged in the business of rescuing, sheltering, and finding homes for unwanted animals.

(b) Purchases made by an animal shelter are exempt if the purchases are used directly in the activities of rescuing, sheltering, and finding homes for unwanted animals. The exemption under this paragraph does not apply to the following purchases:

(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 an animal shelter or their contractors to be used in constructing buildings or facilities that will not be used principally by the tax-exempt entities;

(3) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause (2), and prepared food, candy, soft drinks, and alcoholic beverages as defined in section 297A.67, subdivision 2; and

(4) leasing of a motor vehicle as defined in section 297B.01, subdivision 11.

(c) The sale or adoption of unwanted animals by an animal shelter and the sale of associated animal supplies and equipment by an animal shelter are exempt.

(d) Sales made by and events run by an animal shelter for fund-raising purposes are exempt. Exempt sales include the sale of prepared food, candy, and soft drinks at a fund-raising event. The exemption under this paragraph is subject to the following limits:

(1) gross receipts from all fund-raising sales are taxable if the total fund-raising by the animal shelter exceeds 24 days per year;

(2) it does not apply to fund-raising events conducted on premises leased for more than ten days but less than 30 days; and

(3) it does not apply to admission charges for events involving bingo or other gambling activities or to charges for use of amusement devices involving bingo or other gambling activities.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 21. Minnesota Statutes 2014, section 297A.70, is amended by adding a subdivision to read:

Subd. 21. **City celebrations.** (a) Sales of tangible personal property or services and admissions charges to a city-designated annual city celebration designed to promote community spirit and cooperation are exempt. Exempt sales include the sale of prepared food, candy, soft drinks, and malt liquor and wine as defined in section 340A.101, subdivisions 16 and 19, at the event. The governing board of a statutory or home rule charter city may designate one event in each calendar year as the annual city celebration that qualifies for the exemption under this subdivision. For a celebration to qualify, it must meet the following requirements:

(1) the home rule charter or statutory city must have a population of less than 10,000;

(2) the event must be held on consecutive days, not to exceed five days in total;

(3) the event must be run either by the city or by a nonprofit organization designated by the city;

(4) all gross receipts of the event are recorded as such, in accordance with generally accepted accounting practice on the books of the city or the designated nonprofit organization; and

(5) the entire proceeds, less the necessary expenses, will be distributed to one or more of the following for charitable, educational, civic, or governmental purposes:

(i) the city's general fund;

(ii) a nonprofit 501(c)(3) organization to promote its primary mission; or

(iii) a nonprofit 501(c)(4) organization to promote its primary mission, however, no revenues from this event may be used by the organization for lobbying or political activities.

(b) This exemption is limited in the following manner:

(1) it does not apply to admission charges for events involving bingo or other gambling activities or to charges for use of amusement devices involving bingo or other gambling activities;

(2) all gross receipts are taxable if the profits are not used solely and exclusively for charitable, educational, civic, or governmental purposes; and

(3) it does not apply unless the city or designated nonprofit organization keeps a separate accounting record, including receipts and disbursements for all events included in the celebration that documents all deductions from gross receipts with receipts and other records.

(c) For purposes of this subdivision, "nonprofit organization" means any unit of government, corporation, society, association, foundation, or institution organized and operated for charitable, religious, educational, civic, fraternal, and senior citizens' or veterans' purposes, no part of the net earnings of which inures to the benefit of a private individual.

(d) For purposes of this subdivision, "city celebration" means any of the following activities or combination of activities of limited duration, not regularly carried out in the normal course of business, that attract patrons for community, social, and entertainment purposes, such as parades, auctions, bake sales, ice cream socials, block parties, carnivals, competitions, concerts, concession stands, craft sales, bazaars, dinners, dances, fairs, fashion shows, festivals, galas, special event workshops, sporting activities such as marathons and tournaments, and similar events. A city celebration does not include the operation of a regular place of business in which services are provided or sales are made during regular hours such as bookstores, thrift stores, gift shops, restaurants, ongoing Internet sales, or regularly scheduled activities carried out in the normal course of business.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 22. Minnesota Statutes 2014, section 297A.70, is amended by adding a subdivision to read:

Subd. 22. **Admissions; certain BMX tracks.** Admissions to or charges for access to a BMX track owned and operated by an exempt organization under section 501(c)(3) of the Internal Revenue Code are exempt. For purposes of this subdivision "BMX track" means a track designed for bicycle motocross racing and includes related training and riding areas as well as the actual racing track or tracks. In order to qualify for the exemption under this subdivision, the BMX track must be sanctioned by a national or regional governing body for bicycle motocross racing.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 23. Minnesota Statutes 2014, section 297A.71, is amended by adding a subdivision to read:

Subd. 49. **Building materials; resorts and recreational camping areas.** Materials and supplies used or consumed in, and equipment incorporated into, the improvement of an existing structure located at a resort, as defined in section 157.15, subdivision 11, or recreational camping area, as defined in section 327.14, subdivision 8, are exempt. For purposes of this subdivision, a structure means a cabin located on resort property and any other structure available for use by guests of the resort or recreational camping area.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 24. Minnesota Statutes 2014, section 297A.71, is amended by adding a subdivision to read:

Subd. 50. **Construction materials purchased by contractors; exemption for certain entities.** (a) Building, construction, or reconstruction materials, supplies used or consumed in, and equipment incorporated into buildings or facilities used principally by the following entities are exempt:

(1) school districts, as defined under section 297A.70, subdivision 2, paragraph (c);

(2) local governments, as defined under section 297A.70, subdivision 2, paragraph (d);

(3) hospitals and nursing homes owned and operated by political subdivisions of the state, as defined under section 297A.70, subdivision 2, paragraph (a), clause (3);

(4) public libraries; library systems; multicounty, multitype library systems, as defined in section 134.001; and county law libraries under chapter 134A;

(5) nonprofit groups, as defined under section 297A.70, subdivision 4;

(6) hospitals, outpatient surgical centers, and critical access dental providers, as defined under section 297A.70, subdivision 7; and

(7) nursing homes and boarding care homes, as defined under section 297A.70, subdivision 18.

(b) Materials, supplies used in, and equipment incorporated into the construction, reconstruction, repair, maintenance, or improvement of public infrastructure of any kind including, but not limited to, roads, bridges, culverts, drinking water facilities, and wastewater facilities purchased by a contractor or subcontractor of the following entities are exempt:

(1) school districts, as defined under section 297A.70, subdivision 2, paragraph (c); or

(2) local governments, as defined under section 297A.70, subdivision 2, paragraph (d).

(c) The tax on purchases made by a contractor, subcontractor, or builder, that are exempt under this subdivision 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. Exempt items purchased directly by the owner of the building, facility, or infrastructure are exempt from the tax at the time of purchase.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 25. Minnesota Statutes 2014, 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) building materials for an agricultural processing facility exempt under section 297A.71, subdivision 13;

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

(3) building materials for correctional facilities under section 297A.71, subdivision 3;

(4) building materials used in a residence for disabled veterans exempt under section 297A.71, subdivision 11;

(5) elevators and building materials exempt under section 297A.71, subdivision 12;

(6) materials and supplies for qualified low-income housing under section 297A.71, subdivision 23;

(7) materials, supplies, and equipment for municipal electric utility facilities under section 297A.71, subdivision 35;

(8) 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;

(9) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, paragraph (a), clause (10);

(10) materials, supplies, and equipment for construction or improvement of projects and facilities under section 297A.71, subdivision 40;

(11) materials, supplies, and equipment for construction, improvement, or expansion of:

(i) an aerospace defense manufacturing facility exempt under section 297A.71, subdivision 42;

(ii) a biopharmaceutical manufacturing facility exempt under section 297A.71, subdivision 45;

(iii) a research and development facility exempt under section 297A.71, subdivision 46; and

(iv) an industrial measurement manufacturing and controls facility exempt under section 297A.71, subdivision 47;

(12) enterprise information technology equipment and computer software for use in a qualified data center exempt under section 297A.68, subdivision 42;

(13) materials, supplies, and equipment for qualifying capital projects under section 297A.71, subdivision 44;

(14) items purchased for use in providing critical access dental services exempt under section 297A.70, subdivision 7, paragraph (c); ~~and~~

(15) items and services purchased under a business subsidy agreement for use or consumption primarily in greater Minnesota exempt under section 297A.68, subdivision 44; and

(16) building construction or reconstruction materials, supplies, and equipment purchased by an entity eligible under section 297A.71, subdivision 50.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 26. Minnesota Statutes 2014, 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), (2), and (14), the applicant must be the purchaser;

(2) for subdivision 1, clause (3), the applicant must be the governmental subdivision;

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

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

(5) for subdivision 1, clause (6), the owner of the qualified low-income housing project;

(6) for subdivision 1, clause (7), the applicant must be a municipal electric utility or a joint venture of municipal electric utilities;

(7) for subdivision 1, clauses (8), (11), (12), and (15), the owner of the qualifying business; ~~and~~

(8) for subdivision 1, clauses (9), (10), and (13), the applicant must be the governmental entity that owns or contracts for the project or facility; and

(9) for subdivision 1, clause (16), the applicant must be the entity eligible under section 297A.71, subdivision 50.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 27. Minnesota Statutes 2014, 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, clauses (3) to (13), ~~or~~ (15), or (16), 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 for sales and purchases made after June 30, 2015.

Sec. 28. Laws 1980, chapter 511, section 1, subdivision 2, as amended by Laws 1991, chapter 291, article 8, section 22, Laws 1998, chapter 389, article 8, section 25, Laws 2003, First Special Session chapter 21, article 8, section 11, Laws 2008, chapter 154, article 5, section 2, and Laws 2014, chapter 308, article 3, section 21, is amended to read:

Subd. 2. (a) 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 three-quarter percent on sales transactions which are described in Minnesota Statutes 2000, section 297A.01, subdivision 3, clause (c). 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 paragraph 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 $40,285,000 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.

(b) In addition to the tax in paragraph (a) and 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-half of one percent on sales transactions which are described in Minnesota Statutes 2000, section 297A.01, subdivision 3, clause (c). This tax expires when the city council determines that the tax imposed under this paragraph, along with the tax imposed under section 22, paragraph (b), has produced revenues sufficient to pay the debt service on bonds in a principal amount of no more than $18,000,000, plus issuance and discount costs, to finance capital improvements to public facilities to support tourism and recreational activities in that portion of the city west of ~~34th~~ 14th Avenue West.

(c) The city of Duluth may sell and issue up to $18,000,000 in general obligation bonds under Minnesota Statutes, chapter 475, plus an additional amount to pay for the costs of issuance and any premiums. The proceeds may be used to finance capital improvements to public facilities that support tourism and recreational activities in the portion of the city west of ~~34th~~ 14th Avenue West, as described in paragraph (b). The issuance of the bonds is subject to the provisions of Minnesota Statutes, chapter 475, except no election shall be required unless required by the city charter. The bonds shall not be included in computing net debt. The revenues from the taxes that the city of Duluth may impose under paragraph (b) and under section 22, paragraph (b), may be pledged to pay principal of and interest on such bonds.

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. 29. Laws 1980, chapter 511, section 2, as amended by Laws 1998, chapter 389, article 8, section 26, Laws 2003, First Special Session chapter 21, article 8, section 12, and Laws 2014, chapter 308, article 3, section 22, is amended to read:

Sec. 22. **CITY OF DULUTH; TAX ON RECEIPTS BY HOTELS AND MOTELS.**

(a) Notwithstanding Minnesota Statutes, section 477A.016, or any other law, or ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance, impose an additional tax of one percent upon the gross receipts from the sale of lodging for periods of less than 30 days in hotels and motels located in the city. The tax shall be collected in the same manner as the tax set forth in the Duluth city charter, section 54(d), paragraph one. The imposition of this tax shall not be subject to voter referendum under either state law or city charter provisions.

(b) In addition to the tax in paragraph (a) and 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-half of one percent on the gross receipts from the sale of lodging for periods of less than 30 days in hotels and motels located in the city. This tax expires when the city council first determines that the tax imposed under this paragraph, along with the tax imposed under section 21, paragraph (b), has produced revenues sufficient to pay the debt service on bonds in a principal amount of no more than $18,000,000, plus issuance and discount costs, to finance capital improvements to public facilities to support tourism and recreational activities in that portion of the city west of ~~34th~~ 14th Avenue West.

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. 30. Laws 1991, chapter 291, article 8, section 27, subdivision 3, as amended by Laws 1998, chapter 389, article 8, section 28, Laws 2008, chapter 366, article 7, section 9, and Laws 2009, chapter 88, article 4, section 14, is amended to read:

Subd. 3. **Use of revenues.** (a) Revenues received from taxes authorized by subdivisions 1 and 2 shall be used by the city to pay the cost of collecting the tax and to pay all or a portion of the expenses of constructing and improving facilities as part of an urban revitalization project in downtown Mankato known as Riverfront 2000. Authorized expenses include, but are not limited to, acquiring property and paying relocation expenses related to the development of Riverfront 2000 and related facilities, and securing or paying debt service on bonds or other obligations issued to finance the construction of Riverfront 2000 and related facilities. For purposes of this section, "Riverfront 2000 and related facilities" means a civic-convention center, an arena, a riverfront park, a technology center and related educational facilities, and all publicly owned real or personal property that the governing body of the city determines will be necessary to facilitate the use of these facilities, including but not limited to parking, skyways, pedestrian bridges, lighting, and landscaping. It also includes the performing arts theatre and the Southern Minnesota Women's Hockey Exposition Center, for use by Minnesota State University, Mankato.

(b) Notwithstanding Minnesota Statutes, section 297A.99, subdivision 3, and subject to voter approval at a general election held before December 31, 2016, the city may by ordinance also use revenues from taxes authorized under subdivisions 1 and 2, up to a maximum of $29,000,000, plus associated bond costs, to pay all or a portion of the expenses of the following capital projects:

(1) improvements to regional recreational facilities including existing hockey and curling rinks, a baseball park, youth athletic fields and facilities, and the municipal swimming pool including improvements to make the pool compliant with the Americans with Disabilities Act;

(2) improvements to flood control and the levee system;

(3) water quality improvement projects in Blue Earth and Nicollet Counties;

(4) expansion of the regional transit building and related multimodal transit improvements;

(5) regional public safety and emergency communications improvements and equipment; and

(6) matching funds for improvements to publicly owned regional facilities including a historic museum, supportive housing, and a senior center.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Mankato and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 31. Laws 1991, chapter 291, article 8, section 27, subdivision 4, as amended by Laws 2005, First Special Session chapter 3, article 5, section 25, and Laws 2008, chapter 366, article 7, section 10, is amended to read:

Subd. 4. **Expiration of taxing authority and expenditure limitation.** The authority granted by subdivisions 1 and 2 to the city to impose a sales tax and an excise tax shall expire ~~on~~ at the earlier of when revenues are sufficient to pay off the bonds, including interest and all other associated bond costs authorized under subdivision 5, or December 31, 2022, unless the additional uses under subdivision 3, paragraph (b) or (c), are authorized. If the additional use allowed in subdivision 3, paragraph (b), is authorized, the taxes expire at the earlier of when revenues are sufficient to pay off the bonds, including interest and all other associated bond costs authorized under subdivision 5, or December 31, 2032.

EFFECTIVE DATE. This section is effective the day following final enactment without local approval pursuant to Minnesota Statutes, section 645.023, subdivision 1.

Sec. 32. Laws 1991, chapter 291, article 8, section 27, subdivision 5, is amended to read:

Subd. 5. **Bonds.** (a) The city of Mankato may issue general obligation bonds of the city in an amount not to exceed $25,000,000 for Riverfront 2000 and related facilities, without election under Minnesota Statutes, chapter 475, on the question of issuance of the bonds or a tax to pay them. The debt represented by bonds issued for Riverfront 2000 and related facilities shall not be included in computing any debt limitations applicable to the city of Mankato, and the levy of taxes required by section 475.61 to pay principal of and interest on the bonds shall not be subject to any levy limitation or be included in computing or applying any levy limitation applicable to the city.

(b) The city of Mankato, subject to voter approval at the election required under subdivision 3, paragraph (b), may issue general obligation bonds of the city in an amount not to exceed $29,000,000 for the projects listed under subdivision 3, paragraph (b), without election under Minnesota Statutes, chapter 475, on the question of issuance of the bonds or a tax to pay them. The debt represented by bonds under this paragraph shall not be included in computing any debt limitations applicable to the city of Mankato, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds, and shall not be subject to any levy limitation or be included in computing or applying any levy limitation applicable to the city. The city may use tax revenue in excess of one year's principal interest reserve for intended annual bond payments to pay all or a portion of the cost of capital improvements authorized in subdivision 3,

EFFECTIVE DATE. This section is effective the day following final enactment without local approval pursuant to Minnesota Statutes, section 645.023, subdivision 1.

Sec. 33. Laws 1991, chapter 291, article 8, section 27, subdivision 6, is amended to read:

Subd. 6. **Reverse referendum; authorization of extension.** (a) If the Mankato city council intends to exercise the authority provided by this section, it shall pass a resolution stating the fact before July 1, 1991. The resolution must be published for two successive weeks in the official newspaper of the city or, if there is no official newspaper, in a newspaper of general circulation in the city, together with a notice fixing a date for a public hearing on the matter. The hearing must be held at least two weeks but not more than four weeks after the first publication of the resolution. Following the public hearing, the city may determine to take no further action or adopt a resolution confirming its intention to exercise the authority. That resolution must also be published in the official newspaper of the city or, if there is no official newspaper, in a newspaper of general circulation in the city. If within 30 days after publication of the resolution a petition signed by voters equal in number to ten percent of the votes cast in the city in the last general election requesting a vote on the proposed resolution is filed with the county auditor, the resolution is not effective until it has been submitted to the voters at a general or special election and a majority of votes cast on the question of approving the resolution are in the affirmative. The commissioner of revenue shall prepare a suggested form of question to be presented at the election. The referendum must be held at a special or general election before December 1, 1991. This subdivision applies notwithstanding any city charter provision to the contrary.

(b) If the Mankato city council wishes to extend the taxes authorized under subdivisions 1 and 2 to fund any of the projects listed in subdivision 3, paragraph (b), the city must pass a resolution extending the taxes before July 1, 2015. The tax may not be imposed unless approved by the voters.

EFFECTIVE DATE. This section is effective the day following final enactment without local approval pursuant to Minnesota Statutes, section 645.023, subdivision 1.

Sec. 34. Laws 1999, chapter 243, article 4, section 18, subdivision 1, as amended by Laws 2008, chapter 366, article 7, section 12, is amended to read:

Subdivision 1. **Sales and use tax.** (a) Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the city voters at the first municipal general election held after the date of final enactment of this act or at a special election held November 2, 1999, the city of Proctor may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

(b) Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the city of Proctor may impose by ordinance an additional sales and use tax of up to one-half of one percent pursuant to approval by the voters at the November 4, 2014, general election. The revenues received from the additional tax must be used for the purposes specified in subdivision 3, paragraph (b).

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Proctor and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3, but only if the local approval requirement under section 10 is also met.

Sec. 35. Laws 2008, chapter 366, article 7, section 20, is amended to read:

Sec. 20. **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, 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.** (a) 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.

(b) If the city extends the tax as authorized under subdivision 2a, the total amount that may be used to fund these projects is increased by $9,000,000, plus associated bond costs.

Subd. 2a. **Authorization to extend the tax.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 3, the North Mankato city council may, by resolution, extend the tax authorized under subdivision 1 to cover an additional $9,000,000 in bonds, plus associated bond costs, to fund the projects in subdivision 2, paragraph (a), if approved by the voters at a general election held by December 31, 2016.

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, paragraph (a), 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 city of North Mankato, subject to the referendum in subdivision 2a, allowing for additional revenue to be spent for the projects in subdivision 2, may issue additional bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for those projects in an amount that does not exceed $9,000,000. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

~~(b)~~ (c) 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, paragraph (a), 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, unless the tax is extended as allowed in this section. If the tax is extended as allowed under the referendum under subdivision 2a, the tax expires at the earlier of December 31, 2038, or when revenues from the taxes first equal or exceed $15,000,000 plus the additional amount needed to pay costs related to issuance of bonds under subdivision 3, including interest. Any funds remaining after completion of the projects and retirement or redemption of the bonds shall 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 the governing body of the city of North Mankato and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 36. **CITY OF MARSHALL; VALIDATION OF PRIOR ACT.**

(a) Notwithstanding the time limits in Minnesota Statutes, section 645.021, the city of Marshall may approve Laws 2011, First Special Session chapter 7, article 4, section 14, and file its approval with the secretary of state by June 15, 2013. If approved as authorized under this paragraph, actions undertaken by the city pursuant to the approval of the voters on November 6, 2012, and otherwise in accordance with Laws 2011, First Special Session chapter 7, article 4, section 14, are validated.

(b) Notwithstanding the time limit on the imposition of tax under Laws 2011, First Special Session chapter 7, article 4, section 14, and subject to local approval under paragraph (a), the city of Marshall may impose the tax on or before July 1, 2013.

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

Sec. 37. **CITY OF PROCTOR; EFFECTIVE DATE; VALIDATION OF PRIOR ACT.**

Notwithstanding the time limits in Minnesota Statutes, section 645.021, the city of Proctor may approve Laws 2008, chapter 366, article 7, section 13, and Laws 2010, chapter 389, article 5, sections 1 and 2, and file its approval with the secretary of state by January 1, 2015. If approved under this paragraph, actions undertaken by the city pursuant to the approval of the voters on November 2, 2010, and otherwise in accordance with those laws are validated.

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

Sec. 38. **CITY OF WALKER; LOCAL TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any ordinance, city charter, or other provision of law, pursuant to the approval of the voters on November 6, 2012, the city of Walker may impose by ordinance a sales and use tax of 1-1/2 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 and administrative costs of underground water and sewer improvements in the city of Walker as outlined in the 2012 capital improvement plan of the engineer of the city of Walker.

Subd. 3. **Bonding authority.** The city of Walker, pursuant to the approval of the voters at the November 6, 2012, 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 $20,000,000. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of tax.** The tax authorized under subdivision 1 terminates at the earlier of:

(1) 20 years after the date of initial imposition of the tax; or

(2) when the city council determines that sufficient funds have been raised from the tax to finance the capital and administrative costs of the improvements described 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 projects specified in subdivision 2 and retirement or redemption of bonds in subdivision 3 shall 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 the governing body of the city of Walker and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 39. **CITY OF WINDOM; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the voters at a general election held by December 31, 2016, the city of Windom may impose by ordinance a sales and use tax of up to one percent for the purposes specified in subdivision 3. 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.** The proceeds of the tax imposed under this section must be used to pay for the cost of collecting the tax and to pay all or a portion of the expenses of constructing and improving a fire hall and a public safety facility, including any associated bond costs.

Subd. 3. **Bonding authority.** The city of Windom, pursuant to the approval of the voters at the referendum authorizing the imposition of tax in this section, may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the project described in subdivision 2. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of tax.** (a) The tax authorized under subdivision 1 terminates at the earlier of:

(1) 15 years after the date of initial imposition of the tax; or

(2) when $3,500,000 has been collected.

(b) Any funds remaining after completion of the projects specified in subdivision 2 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 the governing body of the city of Windom and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 40. **AMNESTY; CERTAIN LOCAL FESTIVALS.**

A nonprofit organization that organized and ran a city celebration on behalf of a group of nonprofit organizations, of which all of the net proceeds were distributed to a combination of 501(c)(3) and 501(c)(4) nonprofit organizations that use the proceeds primarily for charitable, educational, civic, or governmental purposes shall not be liable for any state or local uncollected and unpaid sales and use tax, penalties, or interest incurred in running the city celebration, for celebrations held before January 1, 2015. The amnesty in this section does not apply to sales and use taxes already paid or remitted to the state or to sales taxes already collected by the organization. The amnesty does apply to an audit of an organization as long as the audit is not finally resolved.

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

Sec. 41. **MUNICIPALLY OWNED WASTEWATER TREATMENT FACILITY; CITY OF MORA.**

Subdivision 1. **Exemption.** Materials and supplies used in and equipment incorporated into a wastewater treatment facility owned and operated by the city of Mora, regardless of whether purchased by the owner or a contractor, subcontractor, or builder, are exempt from taxation under Minnesota Statutes, chapter 297A. All purchases for this facility must be made after January 1, 2015, and before January 1, 2017.

Subd. 2. **Refund.** The tax on purchases exempt under subdivision 1 must be imposed and collected as if the rate under Minnesota Statutes, section 297A.62 applied, and then refunded in the manner provided in Minnesota Statutes, section 297A.75. The applicant must be the governmental entity that owns or contracts for the project or facility. If the tax was paid by a contractor, subcontractor, or builder, 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.

Subd. 3. **Appropriation.** The amount required to make the refunds under this section is appropriated to the commissioner of revenue.

EFFECTIVE DATE. This section is effective retroactively for purchases made after January 1, 2015, and before January 1, 2017.

Sec. 42. **REPEALER.**

Minnesota Statutes 2014, section 297A.61, subdivisions 50, 51, 52, 53, 54, 55, and 56, are repealed.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

ARTICLE 7

SPECIAL TAXES

Section 1. Minnesota Statutes 2014, section 296A.08, subdivision 2, is amended to read:

Subd. 2. **Rate of tax.** The special fuel excise tax is imposed at the following rates:

(a) Liquefied petroleum gas or propane is taxed at the rate of 18.75 cents per gallon.

(b) Liquefied natural gas is taxed at the rate of 15 cents per gallon.

(c) Compressed natural gas is taxed at the rate of ~~$2.174~~ $1.974 per thousand cubic feet; or 25 cents per gasoline equivalent. For purposes of this paragraph, "gasoline equivalent," as defined by the National Conference on Weights and Measures, is 5.66 pounds of natural gas or 126.67 cubic feet.

(d) All other special fuel is taxed at the same rate as the gasoline excise tax as specified in section 296A.07, subdivision 2. The tax is payable in the form and manner prescribed by the commissioner.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 2. Minnesota Statutes 2014, section 297E.02, subdivision 1, is amended to read:

Subdivision 1. **Imposition.** (a) A tax is imposed on all lawful gambling other than (1) paper or electronic pull-tab deals or games; (2) tipboard deals or games; and (3) ~~electronic linked bingo; and (4)~~ items listed in section 297E.01, subdivision 8, clauses (4) and (5), at the rate of 8.5 percent on the gross receipts as defined in section 297E.01, subdivision 8, less prizes actually paid.

(b) A tax is imposed on the conduct of paper pull-tabs, at the rate of nine percent of the gross receipts, less prizes actually paid, of the pull-tab deal. However, the tax imposed under this paragraph applies only to paper pull-tabs sold at a bingo hall as defined in section 349.12, subdivision 4a.

(c) The tax imposed by this subdivision is in lieu of the tax imposed by section 297A.62 and all local taxes and license fees except a fee authorized under section 349.16, subdivision 8, or a tax authorized under subdivision 5.

(d) The tax imposed under this subdivision is payable by the organization or party conducting, directly or indirectly, the gambling.

EFFECTIVE DATE. This section is effective for gross receipts received and sales made on or after July 1, 2015.

Sec. 3. Minnesota Statutes 2014, section 297E.02, subdivision 6, is amended to read:

Subd. 6. **Combined net receipts tax.** (a) In addition to the taxes imposed under subdivision 1, a tax is imposed on the combined receipts of the organization. As used in this section, "combined net receipts" is the sum of the organization's gross receipts from lawful gambling less gross receipts directly derived from the conduct of paper bingo, electronic linked bingo, raffles, and paddlewheels, as defined in section 297E.01, subdivision 8, and less the net prizes actually paid, other than prizes actually paid for paper bingo, electronic linked bingo, raffles, and paddlewheels, for the fiscal year. The combined net receipts of an organization for the fiscal year are subject to a tax computed according to the following schedule of rates:

~~If the combined net receipts for the fiscal year are:~~	~~The tax is:~~
~~Not over $87,500~~	~~nine percent~~
~~Over $87,500, but not over $122,500~~	~~$7,875 plus 18 percent of the amount over $87,500, but not over $122,500~~
~~Over $122,500, but not over $157,500~~	~~$14,175 plus 27 percent of the amount over $122,500, but not over $157,500~~
~~Over $157,500~~	~~$23,625 plus 36 percent of the amount over $157,500~~

(1) on the first $100,000, 9 percent;

(2) on all over $100,000 but not over $200,000, 18 percent;

(3) on all over $200,000 but not over $300,000, 27 percent; and

(4) on all over $300,000, 36 percent.

(b) On or before April 1, 2016, the commissioner shall estimate the total amount of revenue, including interest and penalties, that will be collected for fiscal year 2016 from taxes imposed under this chapter. If the amount estimated by the commissioner equals or exceeds ~~$94,800,000~~ $72,000,000, the commissioner shall certify that effective July 1, 2016, the rates under this paragraph apply in lieu of the rates under paragraph (a) and shall publish a notice to that effect in the State Register and notify each taxpayer by June 1, 2016. If the rates under this section apply, the combined net receipts of an organization for the fiscal year are subject to a tax computed according to the following schedule of rates:

~~If the combined net receipts for the fiscal year are:~~	~~The tax is:~~
~~Not over $87,500~~	~~8.5 percent~~
~~Over $87,500, but not over $122,500~~	~~$7,438 plus 17 percent of the amount over $87,500, but not over $122,500~~
~~Over $122,500, but not over $157,500~~	~~$13,388 plus 25.5 percent of the amount over $122,500, but not over $157,500~~
~~Over $157,500~~	~~$22,313 plus 34 percent of the amount over $157,500~~

(1) on the first $100,000, 8.5 percent;

(2) on all over $100,000 but not over $200,000, 17 percent;

(3) on all over $200,000 but not over $300,000, 25.5 percent; and

(4) on all over $300,000, 34 percent.

(c) The first $50,000 on which taxes would otherwise be due under this section for a fiscal year is exempt from taxation.

~~(c)~~ (d) Gross receipts derived from sports-themed tipboards are exempt from taxation under this section. For purposes of this paragraph, a sports-themed tipboard means a sports-themed tipboard as defined in section 349.12, subdivision 34, under which the winning numbers are determined by the numerical outcome of a professional sporting event.

(e) A bingo hall as defined in section 349.12, subdivision 4a, is exempt from taxation under this subdivision with respect to receipts from paper pull-tabs.

EFFECTIVE DATE. This section is effective July 1, 2015.

Sec. 4. Minnesota Statutes 2014, section 297F.01, is amended by adding a subdivision to read:

Subd. 6a. **Consumable material.** "Consumable material" means any liquid nicotine solution or other material containing nicotine that is depleted as a vapor product is used.

EFFECTIVE DATE. This section is effective July 1, 2015.

Sec. 5. Minnesota Statutes 2014, section 297F.01, subdivision 19, is amended to read:

Subd. 19. **Tobacco products.** (a) "Tobacco products" means any product containing, made, or derived from tobacco that is intended for human consumption, whether chewed, smoked, absorbed, dissolved, inhaled, snorted, sniffed, or ingested by any other means, or any component, part, or accessory of a tobacco product, including, but not limited to, cigars; cheroots; stogies; periques; granulated, plug cut, crimp cut, ready rubbed, and other smoking tobacco; snuff; snuff flour; cavendish; plug and twist tobacco; fine-cut and other chewing tobacco; shorts; refuse scraps, clippings, cuttings and sweepings of tobacco, vapor products, and other kinds and forms of tobacco; but does not include cigarettes as defined in this section. Tobacco products excludes any tobacco product that has been approved by the United States Food and Drug Administration for sale as a tobacco cessation product, as a tobacco dependence product, or for other medical purposes, and is being marketed and sold solely for such an approved purpose.

(b) Except for the imposition of tax under section 297F.05, subdivisions 3 and 4, tobacco products includes a premium cigar, as defined in subdivision 13a.

EFFECTIVE DATE. This section is effective July 1, 2015.

Sec. 6. Minnesota Statutes 2014, section 297F.01, is amended by adding a subdivision to read:

Subd. 24. **Vapor products.** "Vapor products" means any noncombustible product that employs a heating element, power source, electronic circuit, or other electronic, chemical, or mechanical means, regardless of shape or size, that can be used to produce vapor from nicotine in a solution or other form. Vapor products include any electronic cigarette, electronic cigar, electronic cigarillo, electronic pipe, or similar product or device and any vapor cartridge or other container of nicotine in a solution or other form that is intended to be used with or in an electronic cigarette, electronic cigar, electronic cigarillo, electronic pipe, or similar product or device. Vapor products do not include any product regulated as a drug or device by the United States Food and Drug Administration.

EFFECTIVE DATE. This section is effective July 1, 2015.

Sec. 7. Minnesota Statutes 2014, section 297F.05, subdivision 1, is amended to read:

Subdivision 1. **Rates; cigarettes.** A tax is imposed upon the sale of cigarettes in this state, upon having cigarettes in possession in this state with intent to sell, upon any person engaged in business as a distributor, and upon the use or storage by consumers, at the rate of ~~141.5~~ 145 mills, or ~~14.15~~ 14.5 cents, on each cigarette.

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

Sec. 8. Minnesota Statutes 2014, section 297F.05, subdivision 3, is amended to read:

Subd. 3. **Rates; tobacco products.** (a) Except as provided in ~~subdivision~~ subdivisions 3a and 3b, a tax is imposed upon all tobacco products in this state and upon any person engaged in business as a distributor, at the rate of 95 percent of the wholesale sales price of the tobacco products. 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.

(b) Notwithstanding paragraph (a), a minimum tax equal to the rate imposed on a pack of 20 cigarettes weighing not more than three pounds per thousand, as established under subdivision 1, is imposed on each container of moist snuff.

For purposes of this subdivision, a "container" means the smallest consumer-size can, package, or other container that is marketed or packaged by the manufacturer, distributor, or retailer for separate sale to a retail purchaser. When more than one container is packaged together, each container is subject to tax.

EFFECTIVE DATE. This section is effective for sales made on or after July 1, 2015.

Sec. 9. Minnesota Statutes 2014, section 297F.05, is amended by adding a subdivision to read:

Subd. 3b. **Rates; vapor products.** A tax is imposed upon all vapor products in this state and upon any person engaged in business as a tobacco product distributor, at the rate of 30 cents per milliliter of consumable material. The tax imposed under this subdivision is imposed at the time the tobacco products distributor:

(1) brings, or causes to be brought into this state, vapor products for sale;

(2) makes, manufactures, or fabricates vapor products in this state for sale in this state; or

(3) ships or transports vapor products to retailers in this state to be sold by those retailers.

EFFECTIVE DATE. This section is effective for sales made on or after July 1, 2015.

Sec. 10. Minnesota Statutes 2014, section 297F.05, is amended by adding a subdivision to read:

Subd. 4b. **Use tax; vapor products.** A tax is imposed upon the use or storage by consumers of all vapor products in this state, and upon such consumers, at the rate of 30 cents per milliliter of consumable material.

EFFECTIVE DATE. This section is effective for use and storage of vapor products on or after July 1, 2015.

Sec. 11. Minnesota Statutes 2014, section 297F.06, subdivision 1, is amended to read:

Subdivision 1. **Federal laws.** The tax imposed by this section does not apply with respect to any sale of cigarettes, vapor products, or tobacco products which under the Constitution and laws of the United States may not be subject to taxation by the state.

EFFECTIVE DATE. This section is effective for sales made on or after July 1, 2015.

Sec. 12. Minnesota Statutes 2014, 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 if (1) the tobacco products have an aggregate cost in any calendar month to the consumer of $50 or less, ~~and~~ (2) for vapor products the consumable material subject to the tax does not exceed in the aggregate 50 milliliters in any calendar month, and (3) the tobacco products were carried into this state by that consumer.

EFFECTIVE DATE. This section is effective for possession, use, or storage of tobacco products on or after July 1, 2015.

Sec. 13. Minnesota Statutes 2014, section 297F.08, subdivision 5, is amended to read:

Subd. 5. **Deposit of proceeds.** The commissioner shall use the amounts appropriated by law to purchase stamps for resale. The commissioner shall charge the purchasers for the ~~costs of the stamps along with the~~ tax value of the stamps plus shipping costs. The ~~costs recovered along with~~ shipping costs recovered must be deposited into the general fund.

EFFECTIVE DATE. This section is effective for sales of stamps made after June 30, 2015.

Sec. 14. Minnesota Statutes 2014, section 297F.08, subdivision 7, is amended to read:

Subd. 7. **Price of stamps.** The commissioner shall sell stamps to any person licensed as a distributor at a discount of 0.45 percent from the face amount of the stamps purchased in any fiscal year, except that such discount shall not apply to that portion of the face amount of the stamps representing the cigarette sales tax as imposed under section 297F.25. The commissioner shall not sell stamps to any other person. The commissioner may prescribe the method of shipment of the stamps to the distributor as well as the quantities of stamps purchased.

EFFECTIVE DATE. This section is effective for sales of stamps made after June 30, 2015.

Sec. 15. Minnesota Statutes 2014, section 297F.08, subdivision 8, is amended to read:

Subd. 8. **Sale of stamps.** The commissioner may sell stamps on a credit basis under conditions prescribed by the commissioner. The commissioner shall sell the stamps at a price which includes the tax after giving effect to the discount provided in subdivision 7. ~~The commissioner shall recover the actual costs of the stamps from the distributor.~~ The commissioner shall annually establish the maximum amount of stamps that may be purchased each month.

EFFECTIVE DATE. This section is effective for sales of stamps made after June 30, 2015.

Sec. 16. Minnesota Statutes 2014, section 297F.09, subdivision 1, is amended to read:

Subdivision 1. **Monthly return; cigarette distributor.** On or before the 18th day of each calendar month, a distributor with a place of business in this state shall file a return with the commissioner showing the quantity of cigarettes manufactured or brought in from outside the state or purchased during the preceding calendar month and the quantity of cigarettes sold or otherwise disposed of in this state and outside this state during that month. A licensed distributor outside this state shall in like manner file a return showing the quantity of cigarettes shipped or transported into this state during the preceding calendar month. Returns must be made in the form and manner prescribed by the commissioner and must contain any other information required by the commissioner. The return must be accompanied by a remittance for the full unpaid tax liability shown by it less 0.45 percent of the liability on the face amount of the stamps purchased, excluding that portion of the face amount of the stamps representing the cigarette sales tax as imposed under section 297F.25, as compensation to reimburse the distributor for expenses incurred in the administration of this chapter. For distributors subject to the accelerated tax payment requirements in subdivision 10, the return for the May liability is due two business days before June 30th of the year and the return for the June liability is due on or before August 18th of the year.

EFFECTIVE DATE. This section is effective for sales of stamps made after June 30, 2015.

Sec. 17. Minnesota Statutes 2014, section 309.53, subdivision 3, is amended to read:

Subd. 3. **Financial statement requirements.** The financial statement shall include a balance sheet, statement of income and expense, and statement of functional expenses, shall be consistent with forms furnished by the attorney general, and shall be prepared in accordance with generally accepted accounting principles so as to make a full disclosure of the following, including necessary allocations between each item and the basis of such allocations:

(a) total receipts and total income from all sources;

(b) cost of management and general;

(c) program services;

(d) cost of fund-raising;

(e) cost of public education;

(f) funds or properties transferred out of state, with explanation as to recipient and purpose;

(g) total net amount disbursed or dedicated within this state, broken down into total amounts disbursed or dedicated for each major purpose, charitable or otherwise;

(h) names of professional fund-raisers used during the accounting year and the financial compensation and profit resulting to each professional fund-raiser; and

(i) a list of the five highest paid directors, officers, and employees of the organization and its related organizations, as that term is defined by section 317A.011, subdivision 18, that receive total compensation of more than $100,000, together with the compensation paid to each. For purposes of this subdivision, "compensation" is defined as the total amount reported on Form W-2 (Box 5) or Form 1099-MISC (Box 7) issued by the organization and its related organizations to the individual. The value of fringe benefits and deferred compensation paid by the charitable organization and all related organizations as that term is defined by section 317A.011, subdivision 18, shall also be reported as a separate item for each person whose compensation is required to be reported pursuant to this subdivision.

Unless otherwise required by this subdivision, the financial statement need not be certified.

A financial statement of a charitable organization which has received total revenue in excess of $750,000 for the 12 months of operation covered by the statement shall be accompanied by an audited financial statement prepared in accordance with generally accepted accounting principles that has been examined by an independent certified public accountant for the purpose of expressing an opinion. In preparing the audit the certified public accountant shall take into consideration capital, endowment or other reserve funds, if any, controlled by the charitable organization. For purposes of calculating the $750,000 total revenue threshold provided by this subdivision, the value of donated food to a nonprofit food shelf may not be included if the food is donated for subsequent distribution at no charge, and not for resale. Charitable organizations who conduct lawful gambling in compliance with chapter 349 are not subject to the requirement for an audited financial statement under this subdivision unless the organization's gross receipts, less prizes actually paid, exceed $750,000 for the 12 months of operation covered by the financial statement.

EFFECTIVE DATE. This section is effective July 1, 2015.

Sec. 18. Minnesota Statutes 2014, section 349.12, is amended by adding a subdivision to read:

Subd. 4a. **Bingo hall.** "Bingo hall" means a premises where the primary business is bingo conducted by a nonprofit organization licensed by the board.

EFFECTIVE DATE. This section is effective July 1, 2015.

Sec. 19. **REPEALER.**

Minnesota Statutes 2014, section 297F.05, subdivision 1a, is repealed.

EFFECTIVE DATE. This section is effective July 1, 2015.

ARTICLE 8

TRANSPORTATION SALES TAX PROVISIONS

Section 1. Minnesota Statutes 2014, section 97A.055, subdivision 2, is amended to read:

Subd. 2. **Receipts.** The commissioner of management and budget shall credit to the game and fish fund all money received under the game and fish laws and all income from state lands acquired by purchase or gift for game or fish purposes, including receipts from:

(1) licenses and permits issued;

(2) fines and forfeited bail;

(3) sales of contraband, wild animals, and other property under the control of the division;

(4) fees from advanced education courses for hunters and trappers;

(5) reimbursements of expenditures by the division;

(6) contributions to the division; and

(7) revenue credited to the game and fish fund under section 297A.94, paragraph ~~(e)~~ (h), clause (1).

Sec. 2. Minnesota Statutes 2014, section 297A.815, subdivision 3, is amended to read:

Subd. 3. **Motor vehicle lease sales tax revenue.** (a) ~~For purposes of this subdivision, "net revenue" means an amount equal to the revenues, including interest and penalties, collected under this section, during the fiscal year; less $32,000,000 in each fiscal year.~~

~~(b)~~ On or before June 30 of each fiscal year, the commissioner of revenue shall estimate the amount of the ~~net revenue~~ revenues for the current fiscal year, including interest and penalties collected during the fiscal year under this section.

~~(c) On or after July 1~~ (b) By July 15 of the subsequent fiscal year, the commissioner of management and budget shall transfer the ~~net revenue~~ revenues as estimated in paragraph ~~(b)~~ (a) from the general fund, as follows:

(1) ~~$9,000,000 annually until January 1, 2015, and 50 percent annually thereafter to the county state-aid highway fund. Notwithstanding any other law to the contrary, the commissioner of transportation shall allocate the funds transferred under this clause to the counties in the metropolitan area, as defined in section 473.121, subdivision 4, excluding the counties of Hennepin and Ramsey, so that each county shall receive of such amount the percentage that its population, as defined in section 477A.011, subdivision 3, estimated or established by July 15 of the year prior to the current calendar year, bears to the total population of the counties receiving funds under this clause~~ 50 percent to the county highway allocation account in the transportation stability fund; and

(2) ~~the remainder to the greater Minnesota transit account~~ 50 percent to the transit allocation account in the transportation stability fund.

(c) The revenues deposited under this subdivision do not include the revenues, including interest and penalties, generated by the sales tax imposed under section 297A.62, subdivision 1a, which must be deposited as provided under the Minnesota Constitution, article XI, section 15.

EFFECTIVE DATE. This section is effective beginning with the estimate that must be completed on or before June 30, 2017, for a transfer that occurs on or after July 1, 2017, except paragraph (c) is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2014, section 297A.94, is amended to read:

297A.94 DEPOSIT OF REVENUES.

(a) Except as provided in this section, the commissioner shall deposit the revenues, including interest and penalties, derived from the taxes imposed by this chapter in the state treasury and credit them to the general fund.

(b) The commissioner shall deposit taxes in the Minnesota agricultural and economic account in the special revenue fund if:

(1) the taxes are derived from sales and use of property and services purchased for the construction and operation of an agricultural resource project; and

(2) the purchase was made on or after the date on which a conditional commitment was made for a loan guaranty for the project under section 41A.04, subdivision 3.

The commissioner of management and budget shall certify to the commissioner the date on which the project received the conditional commitment. The amount deposited in the loan guaranty account must be reduced by any refunds and by the costs incurred by the Department of Revenue to administer and enforce the assessment and collection of the taxes.

(c) The commissioner shall deposit the revenues, including interest and penalties, derived from the taxes imposed on sales and purchases included in section 297A.61, subdivision 3, paragraph (g), clauses (1) and (4), in the state treasury, and credit them as follows:

(1) first to the general obligation special tax bond debt service account in each fiscal year the amount required by section 16A.661, subdivision 3, paragraph (b); and

(2) after the requirements of clause (1) have been met, the balance to the general fund.

(d) Beginning with sales taxes remitted after July 1, 2017, the commissioner shall deposit in the state treasury the revenues collected under section 297A.64, subdivision

1, and credit them to the small cities assistance account under section 162.145 in the transportation stability fund under section 16A.89.

(e) The commissioner shall deposit the revenues, including interest and penalties, collected under section 297A.64, subdivision 5, in the state treasury and credit them to the general fund. By July 15 of each year the commissioner shall transfer to the highway user tax distribution fund an amount equal to the excess fees collected under section 297A.64, subdivision 5, for the previous calendar year.

(f) Beginning with sales taxes remitted after July 1, 2017, in conjunction with the deposit of revenues under paragraph (d), the commissioner shall deposit into the state treasury and credit to the metropolitan transit capital account in the transportation stability fund under section 16A.89, an amount equal to the estimated revenues derived from the tax rate imposed under section 297A.62, subdivision 1, on the lease or rental for not more than 28 days of rental motor vehicles subject to section 297A.64. The commissioner shall estimate the amount of sales tax revenues deposited under this paragraph based on the amount of revenue deposited under paragraph (d).

(g) Starting after July 1, 2015, the commissioner shall deposit an amount of the remittances monthly into the state treasury and credit them to the highway allocation account in the transportation stability fund under section 16A.89, as a portion of the estimated amount of taxes collected from the sales and purchase of motor vehicle repair parts in that month. For the remittances between July 1, 2015, and June 30, 2016, the monthly deposit amount is $12,500,000. For remittances in each subsequent fiscal year period, the monthly deposit amount is one-twelfth of the product of (1) the estimated percentage of sales tax attributable to the sale and purchase of motor vehicle parts calculated under this paragraph, and (2) the total sales tax revenues for the calendar year ending before the start of that fiscal year. By July 1, 2016, and June 30 of every second year thereafter, the commissioner shall estimate the percent of total sales tax revenues collected in the previous calendar year that is attributable to sales and purchases of motor vehicle parts based on federal data and department consumption models. For purposes of this paragraph, "motor vehicle" has the meaning given in section 297B.01, subdivision 11, and "motor vehicle repair and replacement parts" includes (1) all parts, tires, accessories, and equipment incorporated into or affixed to the motor vehicle as part of the motor vehicle maintenance or repair, and (2) paint, oil, and other fluids that remain on or in the motor vehicle as part of the motor vehicle maintenance or repair.

~~(c)~~ (h) 72.43 percent of the revenues, including interest and penalties, transmitted to the commissioner under section 297A.65, must be deposited by the commissioner in the state treasury as follows:

(1) 50 percent of the receipts must be deposited in the heritage enhancement account in the game and fish fund, and may be spent only on activities that improve, enhance, or protect fish and wildlife resources, including conservation, restoration, and enhancement of land, water, and other natural resources of the state;

(2) 22.5 percent of the receipts must be deposited in the natural resources fund, and may be spent only for state parks and trails;

(3) 22.5 percent of the receipts must be deposited in the natural resources fund, and may be spent only on metropolitan park and trail grants;

(4) three percent of the receipts must be deposited in the natural resources fund, and may be spent only on local trail grants; and

(5) two percent of the receipts must be deposited in the natural resources fund, and may be spent only for the Minnesota Zoological Garden, the Como Park Zoo and Conservatory, and the Duluth Zoo.

~~(f)~~ (i) The revenue dedicated under paragraph ~~(e)~~ (h) may not be used as a substitute for traditional sources of funding for the purposes specified, but the dedicated revenue shall supplement traditional sources of funding for those purposes. Land acquired with money deposited in the game and fish fund under paragraph ~~(e)~~ (h) must be open to public hunting and fishing during the open season, except that in aquatic management areas or on lands where angling easements have been acquired, fishing may be prohibited during certain times of the year and hunting may be prohibited. At least 87 percent of the money deposited in the game and fish fund for improvement, enhancement, or protection of fish and wildlife resources under paragraph ~~(e)~~ (h) must be allocated for field operations.

~~(g)~~ (j) The revenues deposited under paragraphs (a) to ~~(f)~~ (i) do not include the revenues, including interest and penalties, generated by the sales tax imposed under section 297A.62, subdivision 1a, which must be deposited as provided under the Minnesota Constitution, article XI, section 15.

EFFECTIVE DATE. This section is effective July 1, 2015.

Sec. 4. Minnesota Statutes 2014, section 297A.992, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** For purposes of this section, the following terms have the meanings given them:

(1) "metropolitan transportation area" means the counties participating in the joint powers agreement under subdivision 3;

(2) "eligible county" means the county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington;

(3) "committee" means the Grant Evaluation and Ranking System (GEARS) Committee;

(4) "minimum guarantee county" means any metropolitan county or eligible county that is participating in the joint powers agreement under subdivision 3, whose proportion of the annual sales tax revenue under this section collected within that county is less than or equal to three percent; ~~and~~

(5) "population" means the population, as defined in section 477A.011, subdivision 3, estimated or established by July 15 of the year prior to the calendar year in which the representatives will serve on the Grant Evaluation and Ranking System Committee established under subdivision 5; and

(6) "transitway" means a guideway, as defined in section 174.93, subdivision 1, but excluding intercity passenger rail.

Sec. 5. Minnesota Statutes 2014, section 297A.992, is amended by adding a subdivision to read:

Subd. 2a. **Tax base.** Notwithstanding section 297A.99, subdivision 4, or any requirements under the multistate agreement entered into under section 297A.995, the tax under this section applies to all sales subject to the state sales tax under this chapter that occur in the metropolitan transit area, except for sales and purchases of electricity and natural gas.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2015.

Sec. 6. Minnesota Statutes 2014, section 297A.992, subdivision 6, is amended to read:

Subd. 6. **~~Allocation of~~ Grant awards; use and allocation requirements.** (a) The board must allocate grant awards only for the following transit purposes:

(1) assistance for transitways, which may consist of:

(i) capital improvements to transitways, including~~,~~ but not limited to~~,~~ commuter rail rolling stock, light rail vehicles, and transitway buses;

(ii) capital costs for park-and-ride facilities, as defined in section 174.256, subdivision 2;

(iii) feasibility studies, planning, alternatives analyses, environmental studies, engineering, property acquisition for transitway purposes, and construction of transitways; and

(iv) operating assistance for transitways; or

(2) capital and operating assistance for transit systems, including but not limited to bus operations and arterial bus rapid transit.

(b) The joint powers board must annually award grants to each minimum guarantee county in an amount no less than the amount of sales tax revenue collected within that county.

(c) No more than 1.25 percent of the total awards may be annually allocated for planning, studies, design, construction, maintenance, and operation of pedestrian programs and bicycle programs and pathways.

Sec. 7. Minnesota Statutes 2014, section 297A.992, subdivision 6a, is amended to read:

Subd. 6a. **Priority of fund uses.** (a) The joint powers board shall allocate all revenues from the taxes imposed under this section in conformance with the following priority order:

(1) payment of debt service necessary for the fiscal year on bonds or other obligations issued prior to January 1, 2011, under subdivision 7; ~~and~~

(2) 100 percent of the net operating and capital maintenance costs for the fiscal year for all transitways in which a grant award for capital or operating costs has previously been provided under this section; and

(3) as otherwise authorized under this section.

(b) The joint powers board must not award any grants to begin or continue work on transit capital projects for which construction has not begun as of the effective date of this section, unless the requirements under paragraph (a), clauses (1) and (2), are met.

EFFECTIVE DATE. This section is effective the day following final enactment and applies for grant awards made for calendar year 2016 and thereafter.

Sec. 8. Minnesota Statutes 2014, section 473.13, is amended by adding a subdivision to read:

Subd. 6. **Forecasted base appropriations.** The base appropriation from the general fund to the council for transit system operations under sections 473.371 to 473.449 in fiscal year 2018 and thereafter is the greater of zero or:

(1) $76,626,000; less

(2) funds in the metropolitan area transit account in the transit assistance fund under section 16A.88 in that fiscal year, attributable to motor vehicle sales tax revenue under section 297B.09; less funds appropriated to the council from that account in fiscal year 2015, attributable to motor vehicle sales tax revenue; less

(3) the amount in grants to the council under section 297A.992, subdivision 6a, in excess of 50 percent of the net operating costs of those guideways for which the grants are provided.

APPLICATION. This section applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 9. Minnesota Statutes 2014, section 473.39, is amended by adding a subdivision to read:

Subd. 6. **Limitations.** The council may not issue certificates of indebtedness, bonds, or other obligations secured in whole or in part by a pledge of motor vehicle sales tax revenue received under sections 16A.88 and 297B.09, or by a pledge of any earnings from the council's investment of motor vehicle sales tax revenues.

EFFECTIVE DATE; APPLICATION. This section is effective the day following final enactment and applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 10. **SUPPLEMENTAL METROPOLITAN COUNCIL FUNDING.**

The joint powers board under Minnesota Statutes, section 297A.992, shall allocate $23,700,000 to the Metropolitan Council as part of calendar year 2015 grants. This is a onetime amount and is in addition to other grant awards from the board

Sec. 11. **REPEALER.**

Minnesota Statutes 2014, section 297A.992, subdivision 12, is repealed.

ARTICLE 9

AIDS AND CREDITS

Section 1. Minnesota Statutes 2014, section 16A.726, is amended to read:

16A.726 SPORTS FACILITIES TRANSFERS; APPROPRIATIONS.

(a) If state appropriation bonds have not been issued under section 16A.965, amounts not to exceed the increased revenues estimated by the commissioner of management and budget under section 297E.021, subdivision 2, are appropriated from the general fund to the commissioner of management and budget to make transfers to the Minnesota Sports Facilities Authority for stadium costs as defined under section 473J.03, subdivision 9.

(b) The commissioner shall make transfers to the Minnesota Sports Facilities Authority required to make the state payments under section 473J.13, subdivisions 2 and

4, and for the amount of Minneapolis taxes withheld under section 297A.994, subdivision 4, ~~paragraph (a), clause~~ clauses (5) and (6). Amounts sufficient to make the transfers are appropriated to the commissioner from the general fund.

(c) $2,700,000 is annually appropriated from the general fund from fiscal year 2014 through fiscal year 2033 to the commissioner of management and budget for a grant to the city of St. Paul for the operating or capital costs of new or existing sports facilities.

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

Sec. 2. **[273.1387] SCHOOL BUILDING BOND AGRICULTURAL CREDIT.**

Subdivision 1. **Eligibility.** All class 2a, 2b, and 2c property under section 273.13, subdivision 23, other than property consisting of the house, garage, and immediately surrounding one acre of land of an agricultural homestead, is eligible to receive the credit under this section.

Subd. 2. **Credit amount.** For each qualifying property, the school building bond agricultural credit is equal to 50 percent of the property's eligible net tax capacity multiplied by the school debt tax rate determined under section 275.08, subdivision 1b.

Subd. 3. **Credit notification.** The preliminary credit under this section must be noted on the notice of proposed property taxes under section 275.065, subdivision 3. The actual credit amount must be reported on the property tax statement under section 276.04, subdivision 2. The credit may be claimed by the property owner as an income tax credit as provided in section 290.06, subdivision 38.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2016.

Sec. 3. Minnesota Statutes 2014, 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. The notice must clearly state for each city that has a population over 500, county, school district, regional library authority established under section 134.201, and metropolitan taxing districts as defined in paragraph (i), the time and place of a meeting for each taxing authority in which the budget and levy will be discussed and public input allowed, prior to the final budget and levy determination. The taxing authorities must provide the county auditor with the information to be included in the notice on or before the time it certifies its proposed levy under subdivision 1. The public must be allowed to speak at that meeting, which must occur after November 24 and must not be held before 6:00 p.m. It must provide 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, except that no notice required under this section shall be interpreted as requiring the printing of a personal telephone number or address as the contact information for a taxing authority. If a taxing authority does not maintain public offices where telephone calls can be received by the authority, the authority may inform the county of the lack of a public telephone number and the county shall not list a telephone number for that taxing authority.

(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, agricultural homestead credit under section 273.1384, <u>school building bond agricultural credit under section 273.1387,</u> 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 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~~.

In the case of property allowed a school building bond agricultural credit under section 273.1387, the notice must indicate that the property owner may claim the credit under the income tax as provided in section 290.06, subdivision 38; 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 and subdivision 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.

(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 beginning with taxes payable in 2016.

Sec. 4. Minnesota Statutes 2014, section 275.07, subdivision 2, is amended to read:

Subd. 2. **School district ~~in more than one county~~ levies; special requirements.** (a) In school districts lying in more than one county, the clerk shall certify the tax levied to the auditor of the county in which the administrative offices of the school district are located.

(b) The district must identify the portion of the school district levy that is levied for debt service at the time the levy is certified under this section. For the purposes of this paragraph, "levied for debt service" means levies authorized under sections 123B.53, 123B.535, and 123B.55, as adjusted by sections 126C.46 and 126C.48, net of any debt excess levy reductions under section 475.61, subdivision 4.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2016.

Sec. 5. Minnesota Statutes 2014, section 275.08, subdivision 1b, is amended to read:

Subd. 1b. **Computation of tax rates.** (a) The amounts certified to be levied against net tax capacity under section 275.07 by an individual local government unit shall be divided by the total net tax capacity of all taxable properties within the local government unit's taxing jurisdiction. The resulting ratio, the local government's local tax rate, multiplied by each property's net tax capacity shall be each property's net tax capacity tax for that local government unit before reduction by any credits.

(b) The auditor must also determine the school debt tax rate for each school district equal to the school debt service levy certified under section 275.07, divided by the total net tax capacity of all taxable property within the district.

(c) Any amount certified to the county auditor to be levied against market value shall be divided by the total referendum market value of all taxable properties within the taxing district. The resulting ratio, the taxing district's new referendum tax rate, multiplied by each property's referendum market value shall be each property's new referendum tax before reduction by any credits. For the purposes of this subdivision, "referendum market value" means the market value as defined in section 126C.01, subdivision 3.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2016.

Sec. 6. Minnesota Statutes 2014, 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 tax statement must not state or imply that property tax credits are paid by the state of Minnesota. 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 homestead market value exclusion under section 273.13, subdivision 35;

(3) the property's taxable market value under section 272.03, subdivision 15;

(4) the property's gross tax, before credits;

(5) for homestead agricultural properties, the credit under section 273.1384;

(6) any credits received under sections 273.119; 273.1234 or 273.1235; 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit received under section 273.135 must be separately stated and identified as "taconite tax relief"; ~~and~~

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

(8) the school building bond agricultural credit under section 273.1387, with a statement indicating that the credit may be claimed as an income tax credit under section 290.06, subdivision 38.

(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.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2016.

Sec. 7. Minnesota Statutes 2014, section 290.06, is amended by adding a subdivision to read:

Subd. 38. **School building bond agricultural credit.** (a) A taxpayer is allowed a credit against the tax imposed under subdivision 2c and section 290.091 equal to the amount determined under section 273.1387 and reported to the taxpayer on the property tax statement as provided in section 276.04, subdivision 2. The credit is allowed in the taxable year for which the property taxes are payable. For a taxpayer who is allowed a credit under section 273.1387 for more than one parcel, the credit under this section equals the sum of the amounts allowed under section 273.1387 for all parcels. A credit allowed under section 273.1387 to a property with multiple owners must be allocated to the owners in the same ratio that the owners are allowed to deduct the taxes on the property in the computation of net income. The total amount claimed by all owners may not exceed the amount determined under section 273.1387 and reported on the property tax statement for the property.

(b) If the amount of credit that the taxpayer is eligible to receive under this subdivision exceeds the taxpayer's liability under this section and section 290.091, the commissioner of revenue shall refund the excess to the taxpayer.

(c) The amount necessary to pay claims for refunds provided in this subdivision is appropriated to the commissioner of revenue from the general fund.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2015.

Sec. 8. Minnesota Statutes 2014, section 297A.994, subdivision 4, is amended to read:

Subd. 4. **General fund allocations.** The commissioner must retain and deposit to the general fund the following amounts, as required by subdivision 3, clause (3):

(1) for state bond debt service support beginning in calendar year 2021, and for each calendar year thereafter through calendar year 2046, periodic amounts so that not later than December 31, 2046, an aggregate amount equal to a present value of $150,000,000 has been deposited in the general fund. To determine aggregate present value, the commissioner must consult with the commissioner of management and budget regarding the present value dates, discount rate or rates, and schedules of annual amounts. The present value date or dates must be based on the date or dates bonds are sold under section 16A.965, or the date or dates other state funds, if any, are deposited into the construction fund. The discount rate or rates must be based on the true interest cost of the bonds issued under section 16A.965, or an equivalent 30-year bond index, as determined by the commissioner of management and budget. The schedule of annual amounts must be certified to the commissioner by the commissioner of management and budget and the finance officer of the city;

(2) for the capital improvement reserve appropriation to the Minnesota Sports Facilities Authority beginning in calendar year 2021, and for each calendar year thereafter through calendar year 2046, an aggregate annual amount equal to the amount paid by the state for this purpose in that calendar year under section 473J.13, subdivision 4;

(3) for the operating expense appropriation to the Minnesota Sports Facilities Authority beginning in calendar year 2021, and for each calendar year thereafter through calendar year 2046, an aggregate annual amount equal to the amount paid by the state for this purpose in that calendar year under section 473J.13, subdivision 2;

(4) for recapture of state advances for capital improvements and operating expenses for calendar years 2016 through 2020 beginning in calendar year 2021, and for each calendar year thereafter until all amounts under this clause have been paid, proportionate amounts periodically until an aggregate amount equal to the present value of all amounts paid by the state have been deposited in the general fund. To determine the present

value of the amounts paid by the state to the authority and the present value of amounts deposited to the general fund under this clause, the commissioner shall consult with the commissioner of management and budget regarding the present value dates, discount rate or rates, and schedule of annual amounts. The present value dates must be based on the dates state funds are paid to the authority, or the dates the commissioner of revenue deposits taxes for purposes of this clause to the general fund. The discount rates must be based on the reasonably equivalent cost of state funds as determined by the commissioner of management and budget. The schedule of annual amounts must be revised to reflect amounts paid under section 473J.13, subdivision 2, paragraph (b), for 2016 to 2020, and subdivision 4, paragraph (c), for 2016 to 2020, and taxes deposited to the general fund from time to time under this clause, and the schedule and revised schedules must be certified to the commissioner by the commissioner of management and budget and the finance officer of the city, and are transferred as accrued from the general fund for repayment of advances made by the state to the authority; ~~and~~

(5) to capture increases in taxes imposed under the special law, for the benefit of the Minnesota Sports Facilities Authority, beginning in calendar year 2013 and for each calendar year thereafter through 2046, except as required under clause (6), there shall be deposited to the general fund in proportionate periodic payments in the following year, an amount equal to the following:

(i) 50 percent of the difference, if any, by which the amount of the net annual taxes for the previous year exceeds the sum of the net actual taxes in calendar year 2011 plus $1,000,000, inflated at two percent per year since 2011, minus

(ii) 25 percent of the difference, if any, by which the amount of the net annual taxes for the preceding year exceeds the sum of the net actual taxes in calendar year 2011 plus $3,000,000, inflated at two percent per year since 2011~~.~~; and

(6) to offset the city aid loss in section 19, the amount deposited to the general fund under clause (5) is reduced to zero for payments made between July 1, 2015, through June 30, 2017, until a maximum amount of $5,864,000 in total revenue has been forgone in deposits to the general fund under that clause; with the additional revenue returned to the city to be deposited in its general fund and used as required under section 19.

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

Sec. 9. Minnesota Statutes 2014, section 477A.013, is amended by adding a subdivision to read:

Subd. 9a. **Maximum final aid payment to first class cities.** A first class city may not receive a total aid payment in any year under this section that exceeds an amount equal to 112.5 percent of the average per capita amount for all cities, except first class cities, under subdivision 9, multiplied by its population. Any aid calculated for these cities under subdivision 9 in excess of the amount calculated under this subdivision shall be retained in the general fund. For purposes of this subdivision, "first class city" has the meaning given in section 410.01.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2016 and thereafter.

Sec. 10. Minnesota Statutes 2014, section 477A.013, subdivision 10, is amended to read:

Subd. 10. **Levy adjustments for aid decreases.** Notwithstanding any local ordinance or charter provision, a city whose certified aid under ~~subdivision~~ subdivisions 9 and 9a is less than the amount it received in the previous year under the same subdivision may increase its levy payable in the same year as the certified aid is paid by an amount equal to the aid decrease for that year.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2016 and thereafter.

Sec. 11. Minnesota Statutes 2014, section 477A.017, subdivision 2, is amended to read:

Subd. 2. **State auditor's duties.** The state auditor shall prescribe uniform financial accounting and reporting standards in conformity with national standards to be applicable to cities and towns of more than 2,500 population and uniform reporting standards to be applicable to cities and towns of less than 2,500 population.

EFFECTIVE DATE. This section is effective for reporting of financial information for years ending on or after December 31, 2015.

Sec. 12. Minnesota Statutes 2014, section 477A.017, is amended by adding a subdivision to read:

Subd. 4. **Noncompliance.** (a) If a county, city, or town required to make financial reports under this section does not file them in a timely fashion, the state auditor may arrange to complete and file the financial reports on its behalf and charge the county, city, or town for 105 percent of the cost of the service. The amount charged may not exceed the amount of aid the county, city, or town receives under sections 477A.011 to 477A.03. The state auditor may use staff from the state auditor's office or may contract with persons from the private sector to complete the reports. The county, city, or town must provide access to all public records necessary to filing the financial report to the state auditor or state auditor's designee.

(b) The state auditor may delay the dates for filing required financial reports or waive the filing of reports for any year upon petition of the chief clerical officer of a county, city, or town in the case of a disaster or emergency. The county, city, or town must provide any information requested by the state auditor needed to make the decision on whether or not to delay or waive the filing requirements. The decision of the state auditor under this paragraph is final.

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

Sec. 13. Minnesota Statutes 2014, section 477A.03, subdivision 2a, is amended to read:

Subd. 2a. **Cities.** ~~For aids payable in 2014, the total aid paid under section 477A.013, subdivision 9, is $507,598,012.~~ The total aid paid under section 477A.013, subdivision 9, is $516,898,012 for aids payable in 2015. For aids payable in 2016 and thereafter, the total aid ~~paid~~ calculated under section 477A.013, subdivision 9, is $519,398,012. For aids payable in 2016 and thereafter, the total aids payable to cities under section 477A.013 is the amount calculated under section 477A.013, subdivision 9, minus the amount of aid retained in the general fund under section 477A.013, subdivision 9a.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2016 and thereafter.

Sec. 14. Minnesota Statutes 2014, section 477A.03, subdivision 2b, is amended to read:

Subd. 2b. **Counties.** (a) For aids payable in ~~2014 and thereafter~~ 2016, the total aid payable under section 477A.0124, subdivision 3, is ~~$100,795,000~~ $100,295,000. ~~Each calendar year, $500,000 of this appropriation shall be retained by the commissioner of revenue to make reimbursements to the commissioner of management and budget for payments made under section 611.27. 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 ~~2014 and thereafter~~ 2015, the total aid under section 477A.0124, subdivision 4, is ~~$104,909,575~~ $104,695,575. ~~The commissioner of revenue shall transfer to the commissioner of management and budget $207,000 annually for the cost of preparation of local impact notes as required by section 3.987, and other local~~

~~government activities. The commissioner of revenue shall transfer to the commissioner of education $7,000 annually for the cost of preparation of local impact notes for school districts as required by section 3.987. The commissioner of revenue shall deduct the amounts transferred under this paragraph from the appropriation under this paragraph. The amounts transferred are appropriated to the commissioner of management and budget and the commissioner of education respectively.~~

<u>**EFFECTIVE DATE.**</u> <u>The amendment to paragraph (a) is effective for aids payable in 2016 and thereafter. The amendment to paragraph (b) is effective for aids payable in 2015 and thereafter.</u>

Sec. 15. Minnesota Statutes 2014, section 611.27, subdivision 13, is amended to read:

Subd. 13. **Public defense services; correctional facility inmates.** All billings for services rendered and ordered under subdivision 7 shall require the approval of the chief district public defender before being forwarded on a monthly basis to the state public defender. In cases where adequate representation cannot be provided by the district public defender and where counsel has been appointed under a court order, the state public defender shall forward to the commissioner of management and budget all billings for services rendered under the court order. ~~The commissioner shall pay for services from county program aid retained by the commissioner of revenue for that purpose under section 477A.03, subdivision 2b, paragraph (a).~~

The costs of appointed counsel and associated services in cases arising from new criminal charges brought against indigent inmates who are incarcerated in a Minnesota state correctional facility are the responsibility of the state Board of Public Defense. In such cases the state public defender may follow the procedures outlined in this section for obtaining court-ordered counsel.

<u>**EFFECTIVE DATE.**</u> <u>This section is effective July 1, 2016.</u>

Sec. 16. Minnesota Statutes 2014, section 611.27, subdivision 15, is amended to read:

Subd. 15. **Costs of transcripts.** In appeal cases and postconviction cases where the appellate public defender's office does not have sufficient funds to pay for transcripts and other necessary expenses because it has spent or committed all of the transcript funds in its annual budget, the state public defender may forward to the commissioner of management and budget all billings for transcripts and other necessary expenses. ~~The commissioner shall pay for these transcripts and other necessary expenses from county~~

~~program aid retained by the commissioner of revenue for that purpose under section 477A.03, subdivision 2b, paragraph (a).~~

EFFECTIVE DATE. This section is effective July 1, 2016.

Sec. 17. **2013 CITY AID PENALTY FORGIVENESS; CITY OF OSLO.**

Notwithstanding Minnesota Statutes, section 477A.017, subdivision 3, the city of Oslo shall receive the portion of its aid payment for calendar year 2013 under Minnesota Statutes, section 477A.013, that was withheld under Minnesota Statutes, section 477A.017, subdivision 3, provided that the state auditor certifies to the commissioner of revenue that it received audited financial statements from the city for calendar year 2012 by December 31, 2013. The commissioner of revenue shall make a payment of $37,473.50 with the first payment of aids under Minnesota Statutes, section 477A.015. $37,473.50 is appropriated from the general fund to the commissioner of revenue in fiscal year 2016 to make this payment.

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

Sec. 18. **2014 AID PENALTY FORGIVENESS.**

(a) Notwithstanding Minnesota Statutes, section 477A.017, subdivision 3, any city that did not receive all or part of its calendar year 2014 aid payment for failing to meet the requirements for filing calendar year 2013 financial reports with the state auditor, as required under Minnesota Statutes, section 477A.017, subdivision 3, shall receive its aid payment provided that the state auditor certifies to the commissioner of revenue that it received audited financial statements from the city for calendar years 2013 and 2014 by June 1, 2015.

(b) The commissioner of revenue shall make payment to each qualifying city no later than June 30, 2015. Up to $101,570 of the fiscal year 2015 appropriation for local government aid is available for the payment under this section.

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

Sec. 19. **2016 REDUCTION TO OFFSET ADDITIONAL GENERAL FUND USE OF LOCAL SALES TAX REVENUE.**

For the city of Minneapolis the aid payable under Minnesota Statutes, section 477A.013, subdivision 9, in 2016 only, is reduced by $5,864,000. The city may deposit in its general fund the additional portion of its sales tax, retained under Minnesota Statutes, section 297A.994, subdivision 4, clause (6), during fiscal year 2016 and fiscal year 2017, up to $5,864,000 to fund any governmental purposes in calendar year 2016 that would otherwise be funded with aid under Minnesota Statutes, section 477A.013, subdivision 9.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2016 only.

Sec. 20. **COUNTY PROGRAM AID WORKING GROUP.**

(a) A county program aid working group is established as provided in this section. The goals of the working group are to recommend one or more alternative options for distributing county program aid that promote:

(1) fairness, with regard to the wide range of populations, demographic profiles, service needs, tax bases, economic conditions, and physical conditions of counties across the state; and

(2) stability, to reduce major year-to-year fluctuations in aid distributions and allow counties to predict the amount of aid that they will receive from year to year.

(b) The 11-member working group shall consist of the following members:

(1) two state representatives, both appointed by the chair of the house of representatives Committee on Taxes, one from the majority party and one from the largest minority party;

(2) two senators appointed by the senate Subcommittee on Committees of the Committee on Rules and Administration, one from the majority party and one from the largest minority party;

(3) two persons appointed by the governor; and

(4) five persons appointed by the Association of Minnesota Counties, provided that they are county officials, and that no more than two persons are appointed from counties in the metropolitan area as defined in Minnesota Statutes, section 473.121, subdivision 2.

(c) The state representative from the majority party shall chair the initial meeting, and the working group shall elect a chair at that initial meeting. The working group will meet at the call of the chair. Members of the working group shall serve without compensation. Legislative staff must provide administrative support to the working group. Chapter 13D does not apply to meetings of the working group. Meetings of the working group must be open to the public and the working group must provide notice of a meeting to potentially interested persons at least seven days before the meeting. A meeting of the working group occurs when a quorum is present.

(d) The working group shall make its advisory recommendations to the chairs of the house of representatives and senate committees with jurisdiction over taxes, in compliance with Minnesota Statutes, sections 3.195 and 3.197, on or before February 1, 2016, at which time the working group shall be finished and this section expires.

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

Sec. 21. **REPEALER.**

Minnesota Statutes 2014, sections 477A.017, subdivision 3; 477A.085; and 477A.19, are repealed.

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

ARTICLE 10

MISCELLANEOUS

Section 1. **[11A.237] ACCOUNT FOR COUNTY JOINT TRUST FUND PAYMENTS.**

Subdivision 1. **Establishment.** The State Board of Investment, when requested by a county as required under sections 97A.056, subdivision 1b, and 116P.045, subdivision 2, shall invest the funds deposited by the commissioner of revenue, acting as an agent on its behalf, under section 97A.056, subdivision 1b, or 116P.045, subdivision 2, in a special account for that purpose in the combined investment funds established in section 11A.14, subject to the policy and procedures of the State Board of Investment. Use of the funds is restricted to payments to the commissioner of revenue, acting as an agent on behalf of the counties, for distributions to counties under sections 97A.056, subdivision 1b, and 116P.045, subdivision 3.

Subd. 2. **Account maintenance and investment.** The commissioner of revenue may deposit money into the account on behalf of the counties and may withdraw money from the account for the purpose of making distributions to the counties under sections 97A.056, subdivision 1b, and 116P.045, subdivision 3, only. The commissioner of revenue shall make one payment under each section each year for all counties eligible for a payment in that year. The commissioner shall make one withdrawal annually at a time negotiated with the executive director of the State Board of Investment, but no later than November 15 to cover distributions to counties under section 477A.30, up to the limit allowed under that section. Such transactions shall be in a manner required by the executive director of the State Board of Investment. Investment earnings must be credited to the account.

EFFECTIVE DATE. This section is effective beginning January 1, 2017.

Sec. 2. Minnesota Statutes 2014, section 97A.056, subdivision 1a, is amended to read:

Subd. 1a. **Definitions.** ~~For the purpose of~~ (a) The definitions in this subdivision apply to this section and appropriations from the outdoor heritage fund~~,~~.

(b) "Land acquisition costs" means acquisition coordination costs, costs of engineering services, appraisal fees, attorney fees, taxes, assessments required at the time of purchase, onetime trust fund payments under subdivision 1b, and recording fees.

(c) "Recipient" means the entity responsible for deliverables financed by the outdoor heritage fund.

Sec. 3. Minnesota Statutes 2014, section 97A.056, is amended by adding a subdivision to read:

Subd. 1b. **Outdoor heritage trust fund account; trust fund payments.** (a) An outdoor heritage trust fund account is created in the special revenue fund. The State Board of Investment must ensure the account is invested under section 11A.24. The commissioner of management and budget must credit to the account all money appropriated to the account and all money earned by the account. The principal of the account and any unexpended earnings must be invested and reinvested by the State Board of Investment. Nothing in this section limits the source of contributions to the account. Money in the account must be used only for the purposes of this subdivision.

(b) State land acquired in fee in whole or in part with money appropriated from the outdoor heritage fund is eligible for a onetime trust fund payment as provided under this subdivision. For purposes of this subdivision, "acquired in part" means that at least 20 percent of the state payment for the parcel was from money from the outdoor heritage fund. The trust payment is equal to 30 times the property taxes assessed in the year prior to the year in which the land is acquired. If the land was acquired from a private party that was exempt from paying property taxes, the payments must be based on 30 times the property taxes assessed on comparable, privately owned, adjacent land in the year prior to the year in which the land is acquired. By September 1 of each year, the county in which the land is acquired must provide the commissioner of revenue with information necessary to make this determination for all lands acquired for the 12-month period ending on June 30 of that year. The commissioner of revenue must make a trust payment on behalf of each county on the same date as the first payment under section 273.1384, subdivision 4, each year for all land acquired in that county in the 12-month period ending on June 30 of that year to the State Board of Investment as required under paragraph (e). The money so deposited is money paid to the counties and may only be withdrawn for the purposes allowed under section 477A.30. The commissioner of revenue must inform each county by September 20 of each year the amount deposited on the county's behalf with the State Board of Investment under this subdivision.

(c) If the land eligible for a trust fund payment under this subdivision is also eligible for a trust fund payment under section 116P.045, the payment under this subdivision is equal to the amount calculated under paragraph (b), multiplied by the ratio of (1) the amount paid for the parcel with money from the outdoor heritage fund to (2) the sum of the money paid for the parcel out of the outdoor heritage fund and the environment and natural resources trust fund.

(d) The amount necessary to make the payments required under this subdivision is annually appropriated from the outdoor heritage trust fund account to the commissioner of revenue.

(e) In order to receive a trust fund payment under this subdivision, a county board must enter into an agreement with the State Board of Investment to allow the commissioner of revenue to make deposits and withdrawals on behalf of the county into and out of the county joint trust fund account under section 1.

(f) Land receiving a trust fund payment under this subdivision is not eligible for payments under sections 477A.11 to 477A.14, but is eligible for distribution of withdrawals from the county joint trust fund account under section 477A.30.

EFFECTIVE DATE. This section is effective July 1, 2016, and applies to land acquired with funds appropriated on or after that date.

Sec. 4. Minnesota Statutes 2014, section 97A.056, is amended by adding a subdivision to read:

Subd. 15b. **State acquisition of land; restrictions.** The state may not use funds from the environment and natural resources fund to acquire in fee in whole or in part any land currently subject to property taxes or any land owned by a nonprofit organization that was subject to property taxes prior to the land's acquisition by the nonprofit organization if (1) subdivision 1b is void, or (2) sufficient funds to cover the onetime trust fund payment required under that subdivision have not been appropriated or are not available.

EFFECTIVE DATE. This section is effective July 1, 2016, and applies to land acquired with funds appropriated on or after that date.

Sec. 5. Minnesota Statutes 2014, section 116P.02, subdivision 1, is amended to read:

Subdivision 1. **Applicability.** The definitions in this section apply to this chapter, except that the definition in subdivision 6 does not apply to section 116P.045.

EFFECTIVE DATE. This section is effective July 1, 2016.

Sec. 6. Minnesota Statutes 2014, section 116P.02, is amended by adding a subdivision to read:

Subd. 4a. **Land acquisition costs.** "Land acquisition costs" means acquisition coordination costs, costs of engineering services, appraisal fees, attorney fees, taxes, assessments required at the time of purchase, payments under section 116P.045, and recording fees.

EFFECTIVE DATE. This section is effective July 1, 2016.

Sec. 7. **[116P.045] ENVIRONMENT AND NATURAL RESOURCES TRUST FUND PAYMENT ACCOUNT.**

Subdivision 1. **Account created.** An environment and natural resources trust fund payment account is created in the special revenue fund. The State Board of Investment must ensure the account is invested under section 11A.24. The commissioner of management and budget must credit to the account all money appropriated to the account and all money earned by the account. The principal of the account and any unexpended earnings must be invested and reinvested by the State Board of Investment. Nothing in this section limits the source of contributions to the account. Money in the account must be used only for the purposes of this section.

Subd. 2. **Trust fund payment; appropriation.** (a) State land acquired in fee in whole or in part with money appropriated from the environment and natural resources trust fund is eligible for a onetime trust fund payment as provided under this subdivision. For purposes of this subdivision, "acquired in part" means that at least 20 percent of the state payment for the parcel was from money from the environment and natural resources trust fund. The trust payment is equal to 30 times the property taxes assessed in the year prior to the year in which the land is acquired. If the land was acquired from a private party that was exempt from paying property taxes, the payments must be based on 30 times the property taxes assessed on comparable, privately owned adjacent land in the year prior to the year in which the land is acquired. By September 1 of each year, the county in which the land is acquired must provide the commissioner of revenue with information necessary to make this determination for all lands acquired for the 12-month period ending on June 30 of that year. The commissioner of revenue must make a trust payment on behalf of each county on the same date as the first payment under section 273.1384, subdivision 4, each year for all land acquired in that county in the 12-month period ending on June 30 of that year to the State Board of Investment as required under paragraph (e). The money so deposited is money paid to the counties and may only be withdrawn for the purposes allowed under section 477A.30. The commissioner of revenue must inform each county by September 20 of each year the amount deposited on the county's behalf with the State Board of Investment under this subdivision.

(b) If the land eligible for a trust fund payment under this subdivision is also eligible for a trust fund payment under section 97A.056, subdivision 1b, the payment under this subdivision is equal to the amount calculated under paragraph (a), multiplied by the ratio of (1) the amount paid for the parcel with money from the environment and natural resources trust fund to (2) the sum of the money paid for the parcel out of the outdoor heritage fund and the environment and natural resources trust fund.

(c) The amount necessary to make the payments required under this subdivision is annually appropriated from the environment and natural resources trust fund payment account to the commissioner of revenue.

Subd. 3. **County requirements.** In order to receive a trust fund payment under this section, a county board must enter into an agreement with the State Board of Investment to allow the commissioner of revenue to make deposits and withdrawals on behalf of the county into and out of the county joint trust fund account under section 1.

Subd. 4. **Ineligible for other payments.** Land receiving a trust fund payment under this section is not eligible for payments under sections 477A.11 to 477A.14, but is eligible for distribution of withdrawals from the county joint trust fund account under section 477A.30.

Subd. 5. **State acquisition of land; restrictions.** The state may not use funds from the outdoor heritage fund to acquire in fee in whole or in part any land currently subject to property taxes or any land owned by a nonprofit organization that was subject to property taxes prior to the land's acquisition by the nonprofit organization if (1) subdivision 2 is void, or (2) sufficient funds to cover the one time trust fund payment required under that subdivision have not been appropriated or are not available.

EFFECTIVE DATE. This section is effective July 1, 2016, and applies to land acquired with funds appropriated on or after that date.

Sec. 8. Minnesota Statutes 2014, section 270A.03, subdivision 7, is amended to read:

Subd. 7. **Refund.** "Refund" means an individual income tax refund ~~or political contribution refund~~, pursuant to chapter 290, or a property tax credit or refund, pursuant to chapter 290A, or a sustainable forest payment to a claimant under chapter 290C.

For purposes of this chapter, lottery prizes, as set forth in section 349A.08, subdivision 8, and amounts granted to persons by the legislature on the recommendation of the joint senate-house of representatives Subcommittee on Claims shall be treated as refunds.

In the case of a joint property tax refund payable to spouses under chapter 290A, the refund shall be considered as belonging to each spouse in the proportion of the total refund that equals each spouse's proportion of the total income determined under section 290A.03, subdivision 3. In the case of a joint income tax refund under chapter 289A, the refund shall be considered as belonging to each spouse in the proportion of the total refund that equals each spouse's proportion of the total taxable income determined under section 290.01, subdivision 29. The commissioner shall remit the entire refund to the claimant agency, which shall, upon the request of the spouse who does not owe the debt, determine the amount of the refund belonging to that spouse and refund the amount to that spouse. For court fines, fees, and surcharges and court-ordered restitution under section 611A.04, subdivision 2, the notice provided by the commissioner of revenue under section 270A.07, subdivision 2, paragraph (b), serves as the appropriate legal notice to the spouse who does not owe the debt.

EFFECTIVE DATE. This section is effective for political contribution refund claims based on contributions made on or after July 1, 2015.

Sec. 9. Minnesota Statutes 2014, section 270C.13, subdivision 1, is amended to read:

Subdivision 1. **Biennial report.** The commissioner shall report to the legislature by March 1 of each odd-numbered year on the overall incidence of the income tax, sales and excise taxes, and property tax. The report shall present information on the distribution of the tax burden as follows: (1) for the overall income distribution, using a systemwide incidence measure such as the Suits index or other appropriate measures of equality and inequality; (2) by income classes, including at a minimum deciles of the income distribution; and (3) by other appropriate taxpayer characteristics. The report must also include information on the distribution of the burden of federal taxes borne by Minnesota residents.

EFFECTIVE DATE. This section is effective July 1, 2015.

Sec. 10. Minnesota Statutes 2014, section 289A.50, subdivision 1, is amended to read:

Subdivision 1. **General right to refund.** (a) Subject to the requirements of this section and section 289A.40, a taxpayer who has paid a tax in excess of the taxes lawfully due and who files a written claim for refund will be refunded or credited the overpayment of the tax determined by the commissioner to be erroneously paid.

(b) The claim must specify the name of the taxpayer, the date when and the period for which the tax was paid, the kind of tax paid, the amount of the tax that the taxpayer claims was erroneously paid, the grounds on which a refund is claimed, and other information relative to the payment and in the form required by the commissioner. An income tax, estate tax, or corporate franchise tax return, or amended return claiming an overpayment constitutes a claim for refund.

(c) When, in the course of an examination, and within the time for requesting a refund, the commissioner determines that there has been an overpayment of tax, the commissioner shall refund or credit the overpayment to the taxpayer and no demand is necessary. If the overpayment exceeds $1, the amount of the overpayment must be refunded to the taxpayer. If the amount of the overpayment is less than $1, the commissioner is not required to refund. In these situations, the commissioner does not have to make written findings or serve notice by mail to the taxpayer.

(d) If the amount allowable as a credit for withholding, estimated taxes, or dependent care exceeds the tax against which the credit is allowable, the amount of the excess is considered an overpayment. ~~The refund allowed by section 290.06, subdivision 23, is also considered an overpayment.~~ The requirements of section 270C.33 do not apply to the refunding of such an overpayment shown on the original return filed by a taxpayer.

(e) If the entertainment tax withheld at the source exceeds by $1 or more the taxes, penalties, and interest reported in the return of the entertainment entity or imposed by section 290.9201, the excess must be refunded to the entertainment entity. If the excess is less than $1, the commissioner need not refund that amount.

(f) If the surety deposit required for a construction contract exceeds the liability of the out-of-state contractor, the commissioner shall refund the difference to the contractor.

(g) An action of the commissioner in refunding the amount of the overpayment does not constitute a determination of the correctness of the return of the taxpayer.

(h) There is appropriated from the general fund to the commissioner of revenue the amount necessary to pay refunds allowed under this section.

<u>**EFFECTIVE DATE.** This section is effective for political contribution refund claims based on contributions made on or after July 1, 2015.</u>

Sec. 11. Minnesota Statutes 2014, section 290.01, subdivision 6, is amended to read:

Subd. 6. **Taxpayer.** The term "taxpayer" means any person or corporation subject to a tax imposed by this chapter. ~~For purposes of section 290.06, subdivision 23, the term "taxpayer" means an individual eligible to vote in Minnesota under section 201.014.~~

EFFECTIVE DATE. This section is effective for political contribution refund claims based on contributions made on or after July 1, 2015.

Sec. 12. Minnesota Statutes 2014, section 298.24, subdivision 1, is amended to read:

Subdivision 1. **Imposed; calculation.** (a) For concentrate produced in 2013, there is imposed upon taconite and iron sulphides, and upon the mining and quarrying thereof, and upon the production of iron ore concentrate therefrom, and upon the concentrate so produced, a tax of $2.56 per gross ton of merchantable iron ore concentrate produced therefrom. The tax is also imposed upon other iron-bearing material.

(b) For concentrates produced in 2014 and subsequent years, the tax rate shall be equal to the preceding year's tax rate plus an amount equal to the preceding year's tax rate multiplied by the percentage increase in the implicit price deflator from the fourth quarter of the second preceding year to the fourth quarter of the preceding year. "Implicit price deflator" means the implicit price deflator for the gross domestic product prepared by the Bureau of Economic Analysis of the United States Department of Commerce.

(c) An additional tax is imposed equal to three cents per gross ton of merchantable iron ore concentrate for each one percent that the iron content of the product exceeds 72 percent, when dried at 212 degrees Fahrenheit.

(d) The tax on taconite and iron sulphides shall be imposed on the average of the production for the current year and the previous two years. The rate of the tax imposed will be the current year's tax rate. This clause shall not apply in the case of the closing of a taconite facility if the property taxes on the facility would be higher if this clause and section 298.25 were not applicable. The tax on other iron-bearing material shall be imposed on the current year production.

(e) If the tax or any part of the tax imposed by this subdivision is held to be unconstitutional, a tax of $2.56 per gross ton of merchantable iron ore concentrate produced shall be imposed.

(f) Consistent with the intent of this subdivision to impose a tax based upon the weight of merchantable iron ore concentrate, the commissioner of revenue may indirectly determine the weight of merchantable iron ore concentrate included in fluxed pellets by subtracting the weight of the limestone, dolomite, or olivine derivatives or other basic flux additives included in the pellets from the weight of the pellets. For purposes of this paragraph, "fluxed pellets" are pellets produced in a process in which limestone, dolomite, olivine, or other basic flux additives are combined with merchantable iron ore concentrate. No subtraction from the weight of the pellets shall be allowed for binders, mineral and chemical additives other than basic flux additives, or moisture.

(g)(1) Notwithstanding any other provision of this subdivision, for the first two years of a plant's commercial production of direct reduced ore from ore mined in this state, no tax is imposed under this section. As used in this paragraph, "commercial production" is production of more than 50,000 tons of direct reduced ore in the current year or in any prior year, "noncommercial production" is production of 50,000 tons or less of direct reduced ore in any year, and "direct reduced ore" is ore that results in a product that has an iron content of at least ~~75 percent~~ 67 percent and silica plus alumina content of no greater than three percent. For the third year of a plant's commercial production of direct reduced ore, the rate to be applied to direct reduced ore is 25 percent of the rate otherwise determined under this subdivision. For the fourth commercial production year, the rate is 50 percent of the rate otherwise determined under this subdivision; for the fifth commercial production year, the rate is 75 percent of the rate otherwise determined under this subdivision; and for all subsequent commercial production years, the full rate is imposed.

(2) Subject to clause (1), production of direct reduced ore in this state is subject to the tax imposed by this section, but if that production is not produced by a producer of taconite, iron sulfides, or other iron-bearing material, the production of taconite, iron sulfides, or other iron-bearing material, that is consumed in the production of direct reduced iron in this state is not subject to the tax imposed by this section on taconite, iron sulfides, or other iron-bearing material.

(3) Notwithstanding any other provision of this subdivision, no tax is imposed on direct reduced ore under this section during the facility's noncommercial production of direct reduced ore. ~~The taconite or iron sulphides consumed in the noncommercial production of direct reduced ore is subject to the tax imposed by this section on taconite and iron sulphides.~~ Three-year average production of direct reduced ore does not include production of direct reduced ore in any noncommercial year. Three-year average production for a direct reduced ore facility that has noncommercial production is the average of the commercial production of direct reduced ore for the current year and the previous two commercial years.

~~(4) This paragraph applies only to plants for which all environmental permits have been obtained and construction has begun before July 1, 2008.~~

EFFECTIVE DATE. This section is effective for taxes based on concentrate produced in 2015 and thereafter.

Sec. 13. Minnesota Statutes 2014, section 477A.10, is amended to read:

477A.10 NATURAL RESOURCES LAND PAYMENTS IN LIEU; PURPOSE.

The purposes of sections 477A.11 to 477A.14 are:

(1) to compensate local units of government for the loss of tax base from state ownership of land, except land acquired in whole or in part with money appropriated on or after July 1, 2016, from the outdoor heritage fund or the environment and natural resources trust fund and the need to provide services for state land;

(2) to address the disproportionate impact of state land ownership on local units of government with a large proportion of state land; and

(3) to address the need to manage state lands held in trust for the local taxing districts.

Sec. 14. Minnesota Statutes 2014, section 477A.11, is amended by adding a subdivision to read:

Subd. 9. **Environment and natural resources trust fund lands.** Notwithstanding any other provision of law to the contrary, natural resource land acquired in whole or in part with money appropriated from the environment and natural resources trust fund after July 1, 2016, is not included in the definitions of the lands described in subdivisions 3 to 7 and is excluded from payments under sections 477A.11 to 477A.14. For purposes of this subdivision, "acquired in part" means that at least 20 percent of the state payment for the acquisition of the parcel was from money from the environment and natural resources trust fund.

Sec. 15. Minnesota Statutes 2014, section 477A.11, is amended by adding a subdivision to read:

Subd. 10. **Outdoor heritage lands.** Notwithstanding any other provision of law to the contrary, natural resource land acquired in whole or in part with money appropriated from the outdoor heritage fund on or after July 1, 2016, is not included in the definitions of the lands described in subdivisions 3 to 7 and is excluded from payments under sections 477A.11 to 477A.14. For purposes of this subdivision, "acquired in part" means that at least 20 percent of the state payment for the acquisition of the parcel was from money from the outdoor heritage fund.

Sec. 16. **[477A.30] ANNUAL COUNTY JOINT TRUST FUND WITHDRAWALS AND DISTRIBUTION FOR ENVIRONMENT AND NATURAL TRUST FUND LANDS AND OUTDOOR HERITAGE LANDS.**

Subdivision 1. **Commissioner of revenue; withdrawals and payments.** No later than November 15 of each year, the commissioner of revenue shall make a withdrawal on behalf of all eligible counties from the county joint trust fund account established under section 11A.237 equal to the lesser of (1) the total amount of necessary withdrawals certified by the counties under subdivision 2 for the year, or (2) 5-1/2 percent of the amount in that account as determined by the executive director of the State Board of Investment. The commissioner shall distribute the certified withdrawal amounts to each county by November 30. If the amount of the withdrawal is less than the total certified withdrawal amounts under subdivision 2, the commissioner shall reduce the distribution to each county proportionately.

Subd. 2. **Certification of needed withdrawal, distribution of funds.** (a) Beginning in calendar year 2016, by November 1 of each year, a county for whom a trust fund payment has been made on its behalf under sections 97A.056, subdivision 1b, or 116P.045, subdivision 2, shall calculate and certify to the commissioner of revenue the amount of trust fund withdrawals needed under this section. The amount of the withdrawal for each parcel of land for which a county received a trust fund payment under either provision is as follows:

(1) for the year in which a trust fund payment is made to a county for a parcel of land, the withdrawal for that parcel is equal to:

(i) the remaining taxes owed to the local governments for taxes spread that year for a parcel acquired between January 1 and June 30; or

(ii) the amount of taxes paid on the parcel in the previous year if the parcel was acquired before January 1 of the current year. The county must distribute the amount by December 15 to all local governments based on the location of the parcel and the local governments' share of the total tax; and

(2) For all subsequent years, the withdrawal for a parcel is equal to the taxes that would be owed based on the appraised value of the land and the taxes assessed on comparable, privately owned adjacent land. For purposes of this subdivision, "appraised value" is determined in the manner described in section 477A.12, subdivision 3. The county treasurer must allocate the withdrawn funds among the county, the school district, the town or home rule charter or statutory city, and special districts on the same basis as if the funds were taxes on the land received in that year. The county treasurer must pay the allocation to all eligible local governments by December 15 of the year in which the withdrawal is made. The county's share of the payment must be deposited in the county general fund.

(b) If the distribution to a county under subdivision 1 is less than its total withdrawal amounts certified under this subdivision, all distributions under paragraph (a) are reduced proportionately.

EFFECTIVE DATE. This section is effective January 1, 2016, and applies to land acquired with funds appropriated on or after July 1, 2015.

Sec. 17. Minnesota Statutes 2014, section 609.5316, subdivision 3, is amended to read:

Subd. 3. **Weapons, telephone cloning paraphernalia, automated sales suppression devices, and bullet-resistant vests.** Weapons used are contraband and must be summarily forfeited to the appropriate agency upon conviction of the weapon's owner or possessor for a controlled substance crime; for any offense of this chapter or chapter 624, or for a violation of an order for protection under section 518B.01, subdivision 14. Bullet-resistant vests, as defined in section 609.486, worn or possessed during the commission or attempted commission of a crime are contraband and must be summarily forfeited to the appropriate agency upon conviction of the owner or possessor for a controlled substance crime or for any offense of this chapter. Telephone cloning paraphernalia used in a violation of section 609.894, and automated sales suppression devices, phantom-ware, and other devices containing an automated sales suppression or phantom-ware device or software used in violation of section 609.858, are contraband and must be summarily forfeited to the appropriate agency upon a conviction.

Sec. 18. **[609.858] USE OF AUTOMATED SALES SUPPRESSION DEVICES.**

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

(b) "Automated sales suppression device" or "zapper" means a software program, carried on any tangible medium, or accessed through any other means, that falsifies the electronic records of electronic cash registers and other point-of-sale systems including, but not limited to, transaction data and transaction reports.

(c) "Electronic cash register" means a device that keeps a register or supporting documents through the means of an electronic device or computer system designed to record transaction data for the purpose of computing, compiling, or processing retail sales transaction data in whatever manner.

(d) "Phantom-ware" means hidden preinstalled, or later-installed programming option embedded in the operating system of an electronic cash register or hardwired into the electronic cash register that can be used to create a virtual second electronic cash register or may eliminate or manipulate transaction records that may or may not be preserved in digital formats to represent the true or manipulated record of transactions in the electronic cash register.

(e) "Transaction data" includes items purchased by a customer, the price of each item, the taxability determination for each item, a segregated tax amount for each of the taxed items, the date and time of the purchase, the name, address and identification number of the vendor, and the receipt or invoice number of the transaction.

(f) "Transaction report" means a report documenting, but not limited to, the sales, taxes collected, media totals, and discount voids at an electronic cash register that is printed on cash register tape at the end of a day or shift, or a report documenting every action at an electronic cash register that is stored electronically.

Subd. 2. **Felony.** A person who sells, purchases, installs, transfers, possesses, accesses, or uses an automated sales suppression device, zapper, phantom-ware, or similar device knowing that the device or phantom-ware is capable of being used to commit tax fraud or suppress sales is guilty of a felony and may be sentenced to imprisonment of not more than five years or a payment of a fine of not more than $10,000, or both.

Subd. 3. **Forfeiture.** An automated sales suppression device, zapper, phantom-ware, and any other device containing an automated sales suppression, zapper, or phantom-ware device or software is contraband and subject to forfeiture under section 609.5316.

EFFECTIVE DATE. This section is effective August 1, 2015, and applies to crimes committed on or after that date.

Sec. 19. **BUDGET RESERVE INCREASE.**

On July 1, 2015, the commissioner of management and budget shall transfer $132,150,000 from the general fund to the budget reserve account in the general fund.

EFFECTIVE DATE. This section is effective July 1, 2015.

Sec. 20. **NOTIFICATION OF POLITICAL CONTRIBUTION REFUND REPEAL.**

(a) The commissioner of revenue must take the following actions as soon as practicable:

(1) annotate the link to 2015 Form PCR indicating that political contribution refunds may only be claimed for contributions made before April 15, 2015, and that claims must be filed by June 15, 2015; and

(2) send notifications to all appropriate electronic mailing lists that the commissioner maintains announcing the repeal of the political contribution refund, including the

requirement that claims for refund of contributions made before April 15, 2015, must be filed before June 15, 2015.

(b) The executive director of the campaign finance and public disclosure board must take the following actions as soon as practicable:

(1) notify all registered political parties and all candidates who have registered a principal campaign committee with the board and have filed a valid public subsidy agreement that the political contribution refund has been repealed, that refunds may only be claimed for contributions made before April 15, 2015, and that claims must be filed by June 15, 2015;

(2) update its Web site to indicate that the political contribution refund program has been repealed, and to indicate that political contribution refunds may only be claimed for contributions made before April 15, 2015, and that claims must be filed by June 15, 2015; and

(3) stop issuing Form EP-3, the official receipt form for political contribution refunds, to registered political parties and candidates.

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

Sec. 21. **REPORT ON TAX CREDIT FOR EMPLOYERS WHO HIRE VETERANS.**

The commissioner of revenue, in consultation with the commissioner of veterans affairs, must report to the legislature on allowing a corporate and individual income tax credit for employers who hire military veterans. The report must be completed on or before February 1, 2016, and provided to the chairs and ranking minority members of the legislative committees with jurisdiction over taxes, and veterans affairs, in compliance with Minnesota Statutes, sections 3.195 and 3.197. The purpose of the report is to determine the credit structure most likely to result in increased employment of unemployed military veterans in Minnesota, including unemployed military veterans who are disabled. The report must include:

(1) data on the number of military veterans in Minnesota, including the number who are disabled, and the share of disabled and nondisabled veterans who are employed;

(2) to the extent information is available from the United States Department of the Treasury, data on usage in Minnesota of the federal work opportunity credit under section 51 of the Internal Revenue Code as it relates to the hiring of veterans and the effect of the federal credit on employment of veterans in Minnesota;

(3) descriptions of and data related to the effectiveness of income tax credits allowed in other states that are intended to encourage the hiring of military veterans;

(4) analysis of different possible credit structures, including but not limited to the credit structure proposed in 2015 Minnesota House File No. 10; and

(5) draft legislation for an income tax credit for employers who hire military veterans, to be effective for tax year 2016.

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

Sec. 22. **PURPOSE STATEMENTS; TAX EXPENDITURES.**

Subdivision 1. **Authority.** This section is intended to fulfill the requirement under Minnesota Statutes, section 3.192, that a bill creating, renewing, or continuing a tax expenditure provide a statement of the purpose for the tax expenditure and a standard or goal against which its effectiveness may be measured.

Subd. 2. **Small business investment credit.** The provisions of article 1, section 3, are intended to support qualified small businesses in Minnesota through investments qualifying for the credit, and to encourage job creation. The standard against which effectiveness is to be measured is the number of businesses qualifying for investments, and the number of jobs created in businesses that receive investments that qualify for the credit.

Subd. 3. **Technology corporate tax benefit refund program.** The provisions of article 1, sections 4, 12, 14, are intended to assist emerging biotechnology and technology businesses in Minnesota to expand their operations in Minnesota. The standard against which effectiveness is to be measured includes the increase in the number of employees, amount of facilities used by, and sales made by companies that surrendered their NOLs in return for tax refunds, compared to the increases by similar companies in the comparable period before the availability of the refund.

Subd. 4. **Federal update.** The provisions of article 1, sections 5, 8, 13, and 33, conforming Minnesota individual income, corporate franchise, and estate taxes to changes in federal law, are intended to simplify compliance with and administration of those taxes. The standard against which effectiveness is to be measured is the reduction in the number of income tax forms and text in the instructions for taxpayers resulting from this provision.

Subd. 5. **Income tax subtraction and credit for education expenses; inflation, preK expenses, and nonpublic school tuition.** The provisions of article 1, section 10, clause (3), and sections 20, 21, and 22 are intended to restore availability of the subtraction and credit to parents at income levels and amounts of expenses comparable to those in effect when the dollar amounts were last increased, to acknowledge the importance of early childhood education by extending to it the same tax preferences as are allowed for K-12 education, and to increase opportunities for parents to choose K-12 educational programs most appropriate for their children by extending the K-12 education credit to nonpublic school tuition. The standards against which effectiveness is to be measured is through comparison of the number of claims and amount of claims for the subtraction and credit for tax year 2015 relative to the year the credit was enacted and the subtraction last increased, after adjusting for growth in the state's population, through the change in the number of children enrolled in prekindergarten educational programs, and through the change in the number of children enrolled in nonpublic schools.

Subd. 6. **Income tax subtraction for charity care services.** The provisions of article 1, section 6, and section 10, clause (23), are intended to encourage medical professionals to provide charity care to uninsured and underinsured individuals. The standard against which effectiveness is to be measured is the increase in the number of medical professionals providing charity and the amount of charity care provided, compared with the similar increases that occurred during the period before the subtraction was available.

Subd. 7. **Income and corporate tax subtraction for fitness facility memberships.** The provisions of article 1, sections 10, clause (22), and 11, clause (18), are intended to increase employees' access to and use of fitness facilities. The standard against which effectiveness is to be measured is the change in the share of employees who have access to employer-provided fitness facility membership benefits, and the share of employees who use those benefits, as reported in surveys by human resource management associations.

Subd. 8. **Income tax subtraction of military retirement pay.** The provisions of article 1, section 10, clause (24), are intended to attract to Minnesota military retirees and to retain those already present, by allowing a subtraction from income tied to the number of years of military service provided. The standard against which effectiveness is to be measured is the change over time in the number of military retirees in Minnesota.

Subd. 9. **Income tax subtraction of social security benefits.** The provisions of article 1, section 10, clause (25), are intended to attract to Minnesota recipients of Social Security benefits and to retain those already present, by providing a phased-in subtraction of social security benefits. The standard against which effectiveness is to be measured is the change over time in the number of Social Security recipients in Minnesota, after adjusting for demographic changes.

Subd. 10. **Income tax subtraction and credit for section 529 plan contributions.** The provisions of article 1, sections 10, clause (26), and 29, are intended to increase saving for higher education expenses. The standard against which effectiveness is to be measured is the change over time in the estimated number of Minnesota residents making contributions to the Minnesota College Savings Plan, and in the amount contributed, as tracked by the Minnesota Office of Higher Education.

Subd. 11. **Income tax subtraction for contributions to long-term care savings plans and increase in long-term care credit.** The provisions of article 1, sections 1, 10, clause (27), and 19, are intended to increase individual financing of long-term care costs through direct payment or purchase of insurance. The standard against .which effectiveness is to be measured is the change over time in the number of individuals participating in the long-term care savings plan and the number claiming the credit for long-term care insurance premiums.

Subd. 12. **Income tax subtraction for meal expenses of first responders.** The provisions of article 1, section 10, clause (28), are intended to offset out-of-pocket expenses of first responders related to being on-call for service and encourage individuals to continue to work and volunteer as first responders. The standard against which effectiveness is to be measured is the amount of meal expenses claimed as subtractions for first responders.

Subd. 13. **Income tax credit for MNsure premium payments.** The provisions of article 1, sections 2 and 15, are intended to transition individuals enrolled in MinnesotaCare to MNsure. The standard against which effectiveness is to be measured is the number of MinnesotaCare enrollees who claim credits and purchase insurance through MNsure.

Subd. 14. **Increase in dependent care credit and expansion of income eligibility.** The provisions of article 1, sections 16, 17, and 36, are intended to simplify the dependent care credit by tying it more closely to the federal credit, and to recognize an increased burden in dependent care expenses as a cost of workforce participation for parents. The standard against which effectiveness is to be measured is the change in the error rate on claims for dependent care credits and the change in the average credit amount claimed by parents in the income range eligible for the credit under present law.

Subd. 15. **Research credit increase, refundability, and extension to sole proprietors.** The provisions of article 1, sections 23, 24, 25, and 26, are intended to provide equitable tax treatment for Minnesota businesses operated as sole proprietorships by allowing sole proprietors to claim the research credit on the same basis as it is allowed for businesses operated as C corporations or pass-through entities, to increase access to the credit by making it refundable, and to encourage more research activities in Minnesota by increasing the credit rate. The standard against which effectiveness is to be measured is the number of sole proprietors claiming the credit, the number and amount of claims for refund, and the change over time in the amount of Minnesota research expenditures qualifying for the credit.

Subd. 16. **Income tax credit for teachers who earn master's degrees.** The provisions of article 1, section 27, are intended to improve the quality of teaching in Minnesota K-12 schools by encouraging teachers to obtain master's degrees in the subject areas they teach. The standard against which effectiveness is to be measured is the change over time in the number of K-12 classroom teachers with master's degrees in the subject area that they teach.

Subd. 17. **Income tax credit for student loan principal and interest payments.** The provisions of article 1, section 28, are intended to reduce the debt burden of recent graduates of higher education programs and to reduce and potentially reverse the current net demographic loss of young adults in Minnesota. The standard against which effectiveness is to be measured is the change over time in the number of young adults choosing to move to or remain in Minnesota, as measured by the state demographer.

Subd. 18. **Credit for job training center rehabilitation.** The provisions of article 1, section 35, are intended to encourage the viability of a rehabilitated historic structure in Minnesota currently serving as a job training center and to increase access to job training services. The standard against which the effectiveness of the credit is to be measured is whether the rehabilitated structure remains in service as a job training center.

Subd. 19. **Fuel use in other vehicles.** The provisions of article 6, sections 1 and 16, are intended to exclude fuels used for nonhighway purposes from supporting roads and to reduce tax pyramiding on business inputs. The standard against which effectiveness is to be measured is the increase in the number of fuel tax refunds for nonhighway use after June 30, 2015.

Subd. 20. **Sales tax exemption for digital goods.** The provisions of article 6, section 2, are intended to reduce the unfair advantage of sellers of digital goods located outside the state compared to sellers with a presence in the state. The standard against which effectiveness is to be measured is in the number of sellers of digital products located within the state and the increase in their total sales after the exemption takes effect.

Subd. 21. **Sales tax reduction for modular housing.** The provisions of article 6, sections 3 and 5, are intended to provide equitable tax treatment for various types of housing. The standard against which effectiveness is to be measured is the increase in the number of modular homes sold in the state after June 30, 2015.

Subd. 22. **Sales tax exemption for medical accessories and supplies.** The provisions of article 6, section 11, are intended to remove an uncollectable tax on purchases paid by medical insurance. The standard against which effectiveness is to be measured is whether this finally puts the dispute over the taxability of these sales to rest.

Subd. 23. **Sales tax exemption for instructional materials.** The provisions of article 6, section 12, are intended to provide equitable tax treatment and reduce costs for educational inputs used in vocational as well as academic postsecondary education. The standard against which effectiveness is to be measured is the number of students in vocational postsecondary education and the change in average amount of student debt for students in these programs.

Subd. 24. **Propane tanks.** The provisions of article 6, section 13, are intended to encourage private ownership of propane tanks to encourage competition. The standard against which effectiveness is to be measured is the decrease in the number of rented tanks, as determined by a survey of propane suppliers.

Subd. 25. **Sales tax exemption for metal bullion.** The provisions of article 6, section 14, is intended to provide equitable tax treatment for different types of investments. The standard against which effectiveness is to be measured is the increase in precious metal bullion sold in the state and in number of coin and precious metal trade shows held in the state.

Subd. 26. **Expansion of the sales tax reduction for nonprofits.** The provisions of article 6, section 17, are intended to provide equitable tax treatment and reduce administrative burdens for nonprofits. The standard against which effectiveness is to be measured is a decrease in the number of audits of nonprofits resulting in tax judgements and penalties.

Subd. 27. **Sales tax expansion for admissions to a nonprofit farm education organization.** The provisions of article 6, section 18, are intended to increase the ability of the nonprofit to provide opportunities for educating the public on the history of farming. The standard against which effectiveness is to be measured is an increase in the percent of the organizations budget being used for direct spending for its mission.

Subd. 28. **Sales tax exemptions for animal shelters.** The provisions of article 6, section 20, are intended to help to provide adequate funding for animal shelters. The standard against which effectiveness is to be measured is the number of animals served by shelters in the state

Subd. 29. **Sales tax exemption for city celebrations.** The provisions of article 8, section 21, are intended to help promote community spirit and to ease compliance burdens on organizations sponsoring city celebrations. The standard against which effectiveness is to be measured is the increase in contributions to benefiting organizations and a reduction in the number of audits of nonprofit organizations.

Subd. 30. **Sales tax exemption for admissions to BMX tracks.** The provisions of article 6, section 22, are intended to encourage participation in the sport of BMX racing. The standard against which effectiveness is to be measured is the increase in the number of admissions sold by sanctioned BMX tracks in the state.

Subd. 31. **Sales tax exemption for contractor purchases for certain entities.** The provisions of article 6, section 24, are intended to reduce construction and administrative costs for exempt nonprofit entities and local governments on their capital projects. The standard against which effectiveness is to be measured is the number and dollar amount of refunds under the provision.

Subd. 32. **Sales tax exemption for a wastewater treatment facility; city of Mora.** The provisions of article 6, section 41, are intended to reduce the costs of providing sewer services in the city of Mora. The standard against which effectiveness is to be measured is the costs saved due to the refund under this provision.

Subd. 33. **Income tax credit for school building bond levies.** The provisions of article 9, section 7, are intended to reduce the effect of school bond referenda on owners of agricultural property. The standard against which the effectiveness of the credit is to be measured is the amount of property tax reductions provided to owners of agricultural land.

Subd. 34. **New markets tax credit.** The new markets tax credit provided in article 5, sections 3 to 11, is intended to increase investment in low-income Minnesota communities by businesses that provide high-quality jobs, such as those in manufacturing, technology, and similar fields. The standard against which the effectiveness of the credit is to be measured is the incremental amount of investment in low-income communities that is stimulated by the credit and the associated employment positions that are created, especially for residents of those communities.

Subd. 35. **Tax rate for pull-tabs sold at bingo halls.** The provisions of article 7, section 2, paragraph (b), taxing pull-tabs sold by bingo halls at a flat rate of nine percent, are intended to increase the viability of bingo halls in Minnesota so that they continue making charitable expenditures. The standard against which effectiveness is to be measured is the number of bingo halls in Minnesota before and after enactment or the gross receipts of the bingo halls before and after enactment.

Subd. 36. **Tax incentive for direct reduced ore.** The provisions of article 10, section 12, reinstating a tax incentive for producers of direct reduced ore, are intended to encourage the production of direct reduced ore and the establishment of more direct reduced ore production facilities in Minnesota. The standard against which this effectiveness is to be measured is the amount of direct reduced ore produced and the number of producers of direct reduced ore before and after enactment.

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

Sec. 23. **REPEALER.**

Minnesota Statutes 2014, sections 10A.322, subdivision 4; 13.4967, subdivision 2; and 290.06, subdivision 23, and Minnesota Rules, part 4503.1400, subpart 4, are repealed.

EFFECTIVE DATE. This section is effective for contributions made after April 15, 2015, and refund claims filed after June 15, 2015."

Delete the title and insert:

"A bill for an act

relating to financing and operation of state and local government; making changes to individual income, corporate franchise, property, sales and use, excise, estate, mineral, tobacco, gambling, special, local, and other taxes and tax-related provisions; providing for long-term care savings plans; modifying business income tax credits; modifying income tax subtractions and additions; modifying the definition of resident for income tax purposes; modifying the dependent care credit, education credit, and research credit; providing credits for MNsure premium payments, attaining a master's degree, student loan payments, college savings plans, and job training centers; modifying reciprocity provisions; providing an additional personal and dependent exemption; allowing a reverse referendum for property tax levies under certain circumstances; modifying dates for local referenda related to spending; changing proposed levy certification dates for special taxing districts; modifying general property tax provisions; providing for joint county and township assessment agreements; modifying the definition of agricultural homestead; modifying property classification definitions; permanently extending the market value exclusion for surviving spouses of deceased service members and permanently disabled veterans; modifying provisions for appeals and equalizations courses; providing a tax credit for overvalued property; modifying and phasing out the state general levy; modifying proposed levy provisions; modifying due dates for property taxes; changing withdrawal procedures for the Sustainable Forest Incentive Program; authorizing valuation exclusion for certain improvements to homestead and commercial-industrial property; providing an increased estate tax exemption amount and other estate tax provisions; providing for certain economic development projects; providing for the Minnesota New Markets Jobs Act; restricting expenditures and other powers related to certain rail projects;

providing for additional border city zone allocations; modifying general tax increment financing provisions; modifying provisions for the Destination Medical Center; modifying general and local sales and use tax provisions; modifying sales tax definitions and refunds related to petroleum and special fuel, durable medical equipment, instructional materials, propane tanks, bullion, capital equipment, and nonprofit groups; providing exemptions for animal shelters, city celebrations, BMX tracks, and certain building and construction materials; repealing the tax on digital products; providing a separate rate for certain modular housing; modifying gambling taxes; providing a definition and rate of tax for vapor products under the tobacco tax; modifying cigarette stamp provisions; modifying rates for pull tabs sold at bingo halls; modifying miscellaneous tax provisions; modifying sales tax deposits, accounts, and provisions for transportation purposes; modifying local government aids and credits; providing for a school building bond agricultural credit; creating a county program aid working group; establishing trust fund accounts; providing trust fund payments to counties; modifying provisions related to payments in lieu of taxes for natural resources land; repealing the political contribution refund; making various conforming and technical changes; requiring reports; appropriating money; amending Minnesota Statutes 2014, sections 16A.726; 40A.18, subdivision 2; 62V.05, subdivision 5; 97A.055, subdivision 2; 97A.056, subdivision 1a, by adding subdivisions; 116J.8737, subdivision 5; 116P.02, subdivision 1, by adding a subdivision; 123B.63, subdivision 3; 126C.17, subdivision 9; 205.10, subdivision 1; 205A.05, subdivision 1; 216B.46; 237.19; 270A.03, subdivision 7; 270C.13, subdivision 1; 273.072, by adding a subdivision; 273.124, subdivision 14; 273.13, subdivisions 23, 25, 34; 274.014, subdivision 2; 275.025; 275.065, subdivisions 1, 3; 275.07, subdivisions 1, 2; 275.08, subdivision 1b; 275.60; 276.04, subdivisions 1, 2; 278.12; 279.01, subdivisions 1, 3; 279.37, subdivision 2; 282.01, subdivision 4; 282.261, subdivision 2; 289A.02, subdivision 7, as amended; 289A.10, subdivision 1; 289A.12, by adding a subdivision; 289A.50, subdivision 1; 290.01, subdivisions 6, 7, 19, as amended, 19a, 19b, 19d, 29, 31, as amended; 290.06, by adding subdivisions; 290.067, subdivision 1; 290.0671, subdivisions 1, 6a; 290.0672, subdivision 2; 290.0674, subdivisions 1, 2, by adding a subdivision; 290.068, subdivisions 1, 3, 6a, by adding a subdivision; 290.081; 290.091, subdivision 2; 290A.03, subdivision 15, as amended; 290C.10; 291.005, subdivision 1, as amended; 291.016, subdivision 3; 291.03, subdivisions 1, 1d; 296A.08, subdivision 2; 296A.16, subdivision 2; 297A.61, subdivisions 3, 4, 38; 297A.62, subdivision 3; 297A.668, subdivisions 1, 2, 6a, 7; 297A.669, subdivision 14a; 297A.67, subdivisions 7a, 13a, by adding subdivisions; 297A.68, subdivisions 5, 19; 297A.70, subdivisions 4, 10, 14, by adding subdivisions; 297A.71, by adding subdivisions; 297A.75, subdivisions 1, 2, 3; 297A.815, subdivision 3; 297A.94; 297A.992, subdivisions 1, 6, 6a, by adding a subdivision; 297A.994, subdivision 4; 297E.02, subdivisions 1, 6; 297F.01, subdivision 19, by adding subdivisions; 297F.05, subdivisions 1, 3, by adding subdivisions; 297F.06, subdivisions 1, 4; 297F.08, subdivisions 5, 7, 8; 297F.09, subdivision 1; 297I.20, by adding a subdivision; 298.24, subdivision 1; 309.53, subdivision 3; 349.12, by adding a subdivision; 412.221, subdivision 2; 412.301; 426.19, subdivision 2; 447.045, subdivisions 2, 3, 4, 6, 7; 452.11; 455.24; 455.29; 459.06, subdivision 1; 469.053, subdivision 5; 469.0724; 469.107, subdivision 2; 469.169, by adding a subdivision; 469.174, subdivisions 12, 14; 469.175, subdivision 3; 469.176, subdivisions 4, 4c; 469.1761, by adding a subdivision; 469.1763, subdivisions 1, 2, 3; 469.178, subdivision 7; 469.190, subdivisions 1, 5; 469.40, subdivision 11, as amended; 469.43, by adding a subdivision; 469.45, subdivisions 1, 2; 469.47, subdivision 4, as amended; 471.57, subdivision 3; 471.571, subdivision 3; 471.572, subdivisions 2, 4; 473.13, by adding a subdivision; 473.39, by adding a subdivision; 473.446, subdivision 1; 473H.09; 473H.17, subdivision 1a; 475.59; 477A.013, subdivision 10, by adding a subdivision; 477A.017, subdivision 2, by adding a subdivision; 477A.03, subdivisions 2a, 2b; 477A.10; 477A.11, by adding subdivisions; 609.5316, subdivision 3; 611.27, subdivisions 13, 15;

Laws 1980, chapter 511, sections 1, subdivision 2, as amended; 2, as amended; Laws 1991, chapter 291, article 8, section 27, subdivisions 3, as amended, 4, as amended, 5, 6; Laws 1996, chapter 471, article 3, section 51; Laws 1999, chapter 243, article 4, section 18, subdivision 1, as amended; Laws 2008, chapter 366, article 7, section 20; Laws 2014, chapter 308, article 6, section 7; proposing coding for new law in Minnesota Statutes, chapters 11A; 16A; 16B; 116J; 116P; 117; 273; 274; 275; 290; 416; 459; 473; 477A; 609; proposing coding for new law as Minnesota Statutes, chapter 116X; repealing Minnesota Statutes 2014, sections 10A.322, subdivision 4; 13.4967, subdivision 2; 205.10, subdivision 3; 290.06, subdivision 23; 290.067, subdivisions 2, 2a, 2b; 297A.61, subdivisions 50, 51, 52, 53, 54, 55, 56; 297A.992, subdivision 12; 297F.05, subdivision 1a; 477A.017, subdivision 3; 477A.085; 477A.19; Minnesota Rules, part 4503.1400, subpart 4."