

# House Research Act Summary

**CHAPTER:** 308

**SESSION:** 2014 Regular Session

**TOPIC:** Omnibus Tax Bill

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**Date:** June 2, 2014

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## Section

### **Article 1: Property Tax Aids, Credits, and Refunds**

#### **Overview**

Increases various state aid, credit, and refund programs, including:

- Provides for an increase in the agricultural homestead market value credit beginning in 2015, and provides for a supplemental agricultural credit in 2014.
- Makes some technical corrections to the payment in lieu of taxes (PILT) program and provides additional one-time payments in CY 2014 to make up for underpayments and non-payments in 2013 due to these language issues.
- Increases the city LGA appropriation beginning in CY 2015 and corrects a language error in the LGA calculation from last year.
- Increases homestead credit refunds based on taxes payable in 2014 by three percent and renter property tax refunds based on rent paid in 2013 by six percent.
- Establishes a new county aid program to assist counties in limiting the spread of aquatic invasive species.
- Provides for an increase in the border city disparity reduction credit, and adds the city of Ortonville to the list of participating cities.
- Provides for transition aid payments to cities and towns that undergo significant tax base losses due to changes in the definition of real property used in certain industrial processes.
- Provides supplemental county program aid in CY 2014 only.
- Provides a pilot aid program intended to improve volunteer first responder recruitment and retention.
- Modifies the supplemental firefighter retirement aid program enacted last year to include independent nonprofit fire departments that were accidentally omitted from the program.
- Provides a onetime LGA penalty forgiveness to the city of Bluffton.

**1 Volunteer first responder aid pilot.** Provides for a three-year pilot program to pay \$500 stipends to volunteer firefighters, volunteer ambulance attendants, and volunteer emergency medical responders who serve providers headquartered in a pilot area, with the objective of improving volunteer recruitment and retention. The pilot area consists of four groups of counties:

- ▶ Southern Minnesota: Faribault, Fillmore, Freeborn, Houston, and Watonwan
- ▶ West Central Minnesota: Chippewa, Kandiyohi, Redwood, and Renville
- ▶ Central Minnesota: Morrison and Todd
- ▶ North Central Minnesota: Beltrami, Clearwater, and Mahnommen

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Directs the commissioner of public safety to annually certify lists of eligible volunteers to the commissioner of revenue who will pay aid enabling the entities that volunteers served to pay a \$500 stipend to each individual who volunteered for all of the previous calendar year. The pilot provides for the aid to be paid in calendar years 2015, 2016, and 2017 for volunteer service provided in 2014, 2015, and 2016. Requires the commissioner of public safety to report to the legislature in 2018, and provide data on the amount of aid paid and number of volunteers in each year of the pilot, and as a comparison also the number of volunteers serving in comparison counties consisting of at least half of the counties that border each of the groups of counties in the pilot area. Provides an open appropriation for aid in fiscal years 2016 through 2018.

- 2 **Agricultural homestead market value credit.** Increases the rate of the agricultural homestead market value credit so that it reaches a maximum of \$490 at a market value of \$260,000 and over. Under current law, it reaches a maximum of \$345 at \$115,000 of value, but then decreases to \$230 at a value of \$345,000 and over. Effective beginning with taxes payable in 2015.
- 3 **Disparity reduction credit.** Includes the city of Ortonville in the program, in addition to the four border cities that have historically received the credit (Moorhead, Dilworth, East Grand Forks, and Breckenridge). Increases the credit to the amount necessary to reduce the effective tax rate on commercial-industrial and apartment properties in the five border cities to 1.6 percent, versus the current 1.9 percent. Effective beginning with taxes payable in 2015.
- 4 **Supplemental firefighter retirement state aid.** Includes all independent nonprofit firefighting corporations, regardless of pension fund used, in the definition of “municipality” for purposes of paying supplemental firefighter retirement state aid. These groups were inadvertently omitted when this new aid program was established in 2013. Also makes a correction to a percentage used in allocating the aid to the various pension funds so the total equals 100%.
- 5 **City formula aid.** Corrects a drafting error in calculating formula aid in Minnesota Statutes, section 477A.013, subdivision 8, which impacts the LGA losses to cities that currently get more aid than their “unmet need” under the formula. Without the fix, a city that should have its LGA gradually decreased to its “unmet need” amount will see its aid decrease faster if the LGA appropriation is increased. Effective beginning with aids payable in 2015.
- 6 **Cities.** Increases the city LGA appropriation beginning in CY 2015, by \$7.8 million. This replaces the current law appropriation of \$509.1 million in CY 2015 with an appropriation of \$516.9 million, and an appropriation of \$511.6 million in CY 2016 and thereafter with an appropriation of \$519.4 million. Effective beginning with aids payable in 2015.
- 7 **Payments in Lieu of Tax (PILT) calculations.** Modifies the payment for wildlife management land to be the greater of \$5.133 per acre or three-fourth of one percent of appraised value. The \$5.133/acre alternative was omitted last year but this is the same payment alternative used for other types of natural resource lands such as acquired, transportation wetland, and LUP land. Effective for payments made in calendar year 2013, and provides for a one time additional payment by June 30, 2014 to counties that would have

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received more PILT payments on wildlife lands in 2013 with this retroactive change.

Also provides a mechanism to allocate the extra \$300,000 annually to pay ditch assessments on consolidated conservation (con-con) lands to counties passed on each county's share of total annual ditch assessments. Effective for assessments beginning in calendar year 2014.

- 8 Procedure (for allocating ditch assessment payments).** Provides a certification process and due dates for counties to provide the necessary information to the commissioner of natural resources to allow allocation of the 300,000 for ditch assessments under section 7. Also requires the commissioner to certify and make the 2013 payments by June 30, 2014; they were not made in 2013 because the allocation mechanism was not defined. Effective for assessments payable in 2014 and thereafter.
- 9 Payments in Lieu of Tax (PILT) calculations.** Clarifies that a township with qualifying land receives ten percent of the payment a county receives for the land in that township. This ratifies the distribution mechanism actually used in 2013. Effective retroactively beginning with payments in calendar year 2013.
- 10 Production property transition aid.** Provides for the payment of transition aid to cities and towns that lose 5 percent or more of their net tax capacity due to the change in the definition of "real property" in Article 2, section 9. Beginning with aid payable in 2016, qualifying cities and towns will receive full compensation for the decrease in tax base. The transition aid then phases out over the next four years, with aid payments stepped down by 20 percent each year. No aids are payable in 2021 and thereafter.
- 11 Aquatic invasive species prevention aid.** Establishes a new county aid program administered by the commissioner of revenue to assist counties in preventing the spread of aquatic invasive species. The funds are distributed by formula, with half of the funds distributed based on the number of public water access sites in each county, and the other half based on the number of parking spaces at all public water access sites in each county. Counties are required to use the proceeds to prevent the introduction or limit the spread of aquatic invasive species at all access sites within the county. Counties are required to adopt guidelines for use of the funds, and file the guidelines with the commissioner of natural resources. Counties may spend the funds directly, or distribute some or all of the funds to other governmental organizations in the county to accomplish the program's goals. The commissioner must make payments each year at the same time as payments of county program aid (CPA), except that in calendar year 2014 all the payments must be made at the time of the first CPA payment. The appropriation is \$4,500,000 for CY 2014, and \$10 million per year each year thereafter.
- 12 Additional supplemental aid revision of omitted 2013 independent firefighting corporations.** For the supplemental aid paid in October 1, 2014 only, the nonprofit firefighting corporations that did not receive October 1, 2013 payments under this program will have the amounts they should have received calculated and paid first from the FY 2015 appropriation before the FY 2015 payments are calculated for all qualified firefighting groups. The catch-up payments will be made with the regular October 1, 2014 (FY 2015) distributions.

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**13 Supplemental county program aid for 2014.** Authorizes supplemental county program aid (CPA) payments for 2014 only for any county whose 2014 CPA was less than it received in 2013. The amount of supplemental aid is equal to the drop in aid between 2013 and 2014.

**14 Supplemental agricultural credit for taxes payable in 2014.**

**Subd. 1. Certification of supplemental credit amount.** Provides that each agricultural homestead receiving an agricultural market value credit for taxes payable in 2014 is eligible for a supplemental credit of \$205, provided the credit does not exceed the net taxes on the property. Requires each county to provide the commissioner of revenue with the necessary information to make the payments by August 15, 2014. Provides that the supplemental credit will not be paid to any homestead having delinquent taxes.

**Subd. 2. Payment of supplemental credit.** Requires the commissioner of revenue to pay the supplemental credit amount directly to each qualifying property owner by October 15, 2014.

**Subd. 3. Property tax statements for taxes payable in 2015.** Provides that the proposed and final property tax statements for taxes payable in 2015 must provide a notation that a supplemental credit was paid in 2014.

**Subd. 4. Costs of administration.** Appropriates the amount necessary to the commissioner of revenue to make the supplemental credit payments.

**15 LGA penalty forgiveness; Bluffton.** Provides penalty forgiveness to the city of Bluffton for late filing of financial reports with the state auditor for the last three years, provided that the state auditor certified that these reports have now been filed and the CY 2013 report, due June 30, 2014, are filed on time. The city lost one-half of its LGA payments (\$16,050.50 per year) in the years 2011-2013. \$20,000 of the penalty would be paid to the city with the July 2014 LGA payment and the remaining \$48,151.50 would be paid with the July 2015 LGA payment. Effective the day after final enactment.

**16 Homestead credit refund and renter property tax refund increase.** Directs the commissioner of revenue to increase all homestead credit refunds based on taxes payable in 2014 by three percent, and all renter property tax refunds based on rent paid in 2013 by six percent. These refunds are typically filed in calendar year 2014 and paid beginning in August 2014 for renters and in September 2014 for homeowners. Makes a general fund appropriation to pay for the increased refunds. Because the deadline for filing claims based on taxes payable in 2014 and rent paid in 2013 is August 15, 2015, some increases will be paid in fiscal year 2016, and the appropriation is for fiscal years 2015 and 2016.

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### Article 2: Property Taxes

#### Overview

Makes a number of changes in the property tax system, including:

- Modifying and clarifying the property tax treatment of certain structures used in the production of biofuels and similar industrial processes
- Clarifying the property tax exemption for solar energy systems, and imposing a production tax on solar energy systems
- Extending the time period for the spouse of a disabled veteran to receive the veteran's property tax benefit from five years to eight years
- Providing for a study of the property taxation of energy-producing systems and facilities.
- Providing for a study of North Dakota oil production and its impact on the Minnesota economy.
- Increasing the levy limit for emergency medical service districts.
- Lowering the interest rate on confession of judgments for homestead properties.

- 1 Emergency medical service district levy authority.** Increases the levy authority for emergency medical service districts from \$400,000 to \$550,000 beginning with taxes payable in 2016. Under current law, the levy authority is limited to 0.048% of the taxable market value of the district or \$400,000, whichever is less.
- 2 Personal property used for pollution control.** Requires the commissioner of revenue to develop an electronic means to notify interested parties when an application has been filed for a pollution control exemption by an electric generation facility, and when an order for exemption has been issued.
- 3 Solar energy-generating systems.** Amends the existing exemption of solar photovoltaic devices to instead exempt "solar energy-generating systems," as defined in section 8. Also provides that the real property where the solar system is located will be classified in the same manner as if the solar energy-generating system was not present for solar systems that are not subject to the production tax under section 8, and classified as class 3a (commercial-industrial) for solar systems that are subject to the production tax under section 8.
- 4 Electric generation facility; personal property.** Extends, by five years, the time frame that a facility in Beltrami County must commence construction in order to receive a personal property tax exemption.
- 5 Efficiency determination and certification.** Requires the commissioner of revenue to develop an electronic means to notify interested parties when an application has been filed for a sliding scale valuation exclusion by an electric generation facility.
- 6 Sliding scale exclusion.** Requires the commissioner of revenue to develop an electronic means to notify interested parties when a sliding scale valuation exclusion has been

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approved.

**7 Sliding scale exclusion eligibility.** Provides that for taxes payable in 2016 and thereafter, the sliding scale exclusion will only be available to facilities that (1) were eligible for the exclusion for taxes payable in 2015, or (2) are facilities that were converted from coal to an alternative fuel, with a pre-conversion capacity of less than 75 megawatts.

**8 Solar energy production tax.**

**Subd. 1. Production tax.** Imposes a tax on electricity production from a solar energy system.

**Subd. 2. Definitions.** Defines “solar energy-generating system” to mean a set of devices used to produce electricity by means of collecting, transferring, or converting solar-generated energy. Provides that the size of a solar energy-generating system for purposes of this section must be determined by adding the nameplate capacities of all systems constructed within the same 12-month period with characteristics of being a single development including but not limited to the same or similar ownership structure, shared interconnection, common financing, etc.

**Subd. 3. Rate of tax.** Exempts solar energy systems with capacity of one megawatt alternating current or less; other systems are taxed at a rate of \$1.20 per megawatt-hour produced.

**Subd. 4. Reports.** Requires the owner of a solar energy system to report annually to the commissioner of revenue by January 15 the number of megawatt-hours produced by the system the previous year. In the absence of a report, the commissioner will base the tax on 30 percent of the system’s nameplate capacity.

**Subd. 5. Notification of tax.** Requires the commissioner of revenue to annually notify an owner of a solar energy system by February 28 of the amount of tax due to each county. Provides for corrections of erroneous calculations.

**Subd. 6. Payment of tax; collection.** Provides that the tax is to be paid at the same time and in the same manner as the property tax, and is subject to the same treatment if unpaid.

**Subd. 7. Distribution of revenues.** Provides that 80 percent of the tax will be distributed to counties, and 20 percent to cities and townships.

**9 Real property.** Provides that the exterior shell of a structure used in the production of biofuels, wine, beer, distilled beverages, and dairy products, is not included in the definition of real property, even if the shell has structural, insulation, or temperature control functions. The exterior shell of the structure, however, is real property if it is used primarily for storage of ingredients or materials used in the production of biofuels, wine, beer, distilled beverages, and dairy products, or the storage of those finished products. Effective beginning with taxes payable in 2016.

**10 Homestead of disabled veteran or family caregiver.** Extends the time period for the

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surviving spouse of a totally disabled veteran to continue to receive the disabled veteran's property tax benefit from five years to eight years. Provides the same extension for surviving spouses of military personnel who are killed in action.

**11 Proposed levy.** Extends the deadline for counties and cities to certify their proposed levies from September 15 to September 30. Retains the existing deadlines of September 15 for towns and special taxing districts, and September 30 for school districts.

**12 Interest rate on unpaid property taxes; composite judgments.** Provides that the interest rate on unpaid taxes in a composite confession of judgment is limited to the rate provided in section 13 for judgments on parcels that consist in part of homesteaded property.

Effective for judgments entered into after January 1, 2015.

**13 Interest rate on unpaid property taxes.** Provides a lower interest rate for homesteaded property (both regular and disabled) on which the taxpayer/property owner has agreed to an installment payment agreement (commonly referred to as "confession of judgment"). Sets the rate for these payments as the greater of:

- ▶ 5 percent; or
- ▶ 2 percentage points over the prime rate charged by banks to their most creditworthy borrowers.

The rate when the installment payment agreement is entered will be fixed (regardless of fluctuations in the prime rate over the term of the installment payment agreement) for the duration of the confession of judgment

**Effective Date:** For judgments entered into after January 1, 2015.

**Background.** Under present law, the interest rate on confession of judgments fluctuates between a minimum of 10 percent and maximum of 14 percent. For 2014 it is 10 percent. By contrast, the interest rate on unpaid state taxes is currently 3 percent. Over the last ten years it has fluctuated between 3 percent and 8 percent.

**14 Authority to levy property taxes and incur debt (Anoka County).** Expands Anoka County's current authority to levy property taxes to pay for bonds to fund countywide public safety improvements and equipment to also allow them to fund pay-as-you-go improvements and equipment. Effective for taxes payable in 2013 through 2023.

**15 Treatment of levy (Anoka County).** Allows the levy for both bond repayment and pay-as-you-go projects under section 14 to be a separate line item on the proposed property tax notice and the property tax statement. Repeals the exemption for the debt issued under section 14 from the net debt limits. Effective for taxes payable in 2013 through 2023.

**16 Board plan and program.** Increases the maximum number of connections the Cedar Lake area water and sanitary sewer district's comprehensive plan may provide, from 325 connections to 364 connections. Effective upon local approval.

**17 Helena Township; removal of subordinate service district.** Permits the Helena Town



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Board of supervisors to sell or use surplus property or the surplus of tax revenues or service charges collected from a special service district to connect property owners in the former district to another public sewer system. Any surplus not used to connect residents may be distributed equally to property owners in the former district that were charged the extra tax or service fee during the most recent tax year. Any surplus not refunded must be transferred to the town's general fund.

- 18**      **City of Jackson; limitation on abatement.** Increases the abatement authority for the city of Jackson for taxes payable in 2015 through 2019 to the greater of ten percent of the city's net tax capacity, or \$240,000. Current law caps the amount at \$200,000.
- 19**      **Study of energy producing systems.** Appropriates \$150,000 in fiscal year 2015 from the general fund to the commissioner of revenue to finance a study and analysis of the property taxation of energy producing systems in Minnesota, including both traditional and renewable energy sources. The study must address the costs imposed on host communities by the various types of facilities, compared to the tax revenues received by the host communities. The study must also address the burden of taxation on Minnesota facilities compared to facilities in neighboring states. The report must specifically make recommendations on the taxation of solar energy producing systems. A report is due on February 1, 2015.
- 20**      **Study of North Dakota oil production; impact on Minnesota.** Appropriates \$250,000 in fiscal year 2015 from the general fund to the commissioner of employment and economic development to finance a study and analysis of the effects of current and projected oil production in North Dakota on the Minnesota economy, with special focus on workforce, taxation, and transportation issues, and special focus on the northwestern region of the state and area border cities. In conducting the study, the commissioner must consult with the commissioners of revenue and transportation.

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### **Article 3: Sales, Use, and Excise Taxes**

#### **Overview**

- Changes the June accelerated tax remittances by increasing the liability threshold for paying them and reducing the percentage remitted early
- Modifies and expands the sales tax exemption for local governments
- Modifies qualifications and limits for the sales tax exemption for Greater Minnesota business expansion.
- Provides a tax credit for microdistilleries and treats those businesses as wholesalers for purposes of excise taxation.
- Removes the second-tier cigarette rate and applies the same tax rate to all cigarettes and little cigars.
- Provides a sales tax exemption for coin-operated amusement devices
- Clarifies the treatment of digital audio and audiovisual works used in seminars and post secondary education
- Modifies exemptions for certain nonprofit fund raising
- Clarifies the sales tax exemption for refurbished data centers
- Provides temporary retroactive tax refunds and abatements to selected entities

Authorizes or extends the following local sales taxes:

- ▶ food and beverage and lodging taxes in the city of Duluth
- ▶ food and beverage tax for the city of Proctor
- ▶ existing local sales tax in the cities of Albert Lea, Baxter, and Brainerd

- 1** **Qualified business; Greater Minnesota business expansions.** Changes the definition of qualified business under the sales tax exemption for Greater Minnesota business expansions to exclude a number of nonmanufacturing businesses such as legal, accounting, and consulting services, and leisure, lodging, and health care businesses. Retail businesses and public utilities are already excluded. Effective the day after final enactment.
- 2** **Certification of qualified businesses; Greater Minnesota business expansions.** Simplifies the employment expansion requirements for qualifying for the sales tax exemption for Greater Minnesota business expansions to the greater of (1) two employees or (2) 10 percent of the business's current number of employees. Limits the agreement to a seven year period rather than a 12 year period. Allows the commissioner of employment and economic development (DEED) 90 days rather than 60 days to act on an application for this program. Effective the day after final enactment.
- 3** **Available tax incentives; Greater Minnesota business expansions.** Limits the sales tax exemption for any Greater Minnesota qualified business to \$2 million annually and a total of \$10 million. Allows the commissioner of DEED to negotiate the exemption for each business as part of the business subsidy agreement. Currently there is no limit to the amount

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of sales tax exemption going to any one business. Effective the day after final enactment.

- 4 Sales and use tax (June accelerated.)** Increases the annual tax liability threshold for vendors required to remit June sales tax collections on an accelerated basis from \$120,000 to \$250,000 and decreases the percentage of June liability that must be paid early from 90 percent to 81.4 percent. Effective beginning with June 2014 sales taxes.
- 5 Accelerated payment of June sales tax liability; penalty for underpayment.** Modifies the penalty for underpayment of the June sales tax liability that must be paid on an accelerated basis to reflect the decrease in the required payment percentage from 90 percent to 81.4 percent. Effective beginning with June 2014 sales taxes.
- 6 Instructional materials.** Clarifies that digital audio and audiovisual works required for a postsecondary course of study are included in the instructional materials exemption. Effective the day following final enactment.
- 7 Presentations accessed as digital audio and audiovisual works.** Provides a sales tax exemption for certain live and prerecorded presentations, classes, and seminars, that meet both of the following criteria:
- the presentation allows the online participants to interact with the presenter and each other during the time the participants access the presentation, although the presenter may limit the amount and timing of the interaction (i.e. at the end); and
  - if participants have the option of attending the presentation in person, the persons at the presentation and online participants are subject to the same interaction rules and admission to the presentation is not subject to sales tax under this chapter.

Effective for sales and purchases made after June 30, 2014.

- 8 Coin-operated entertainment and amusement devices.** Exempts from sales tax the sale of coin-operated devices whose main purpose is to provide amusement and entertainment. Exempt devices would include juke boxes, pinball and video games, foosball and pool tables, photo booths, batting cages, and machines used in carnival games and rides.

The following items are explicitly excluded from this exemption: vending machines and lottery and gaming devices. Effective for sales and purchases after June 30, 2014.

- 9 Qualified data centers.** Makes clarifying changes to the existing sales tax exemption for refurbished data centers by (1) moving a clause to paragraph (b) that was erroneously added to paragraph (c) in the 2013 tax bill; and (2) adding the term “qualified refurbished data centers” to several existing references to a “qualified data center”.

Also clarifies that the exemption added in 2013 for computer software maintenance agreements applies to purchases made after June 30, 2013 and any maintenance agreements purchased before that date do not count toward the required investment threshold.

Finally it requires that the Department of Employment and Economic Development (DEED) certify to DOR when a data center or refurbished data center meets the investment

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requirements in order to qualify for the exemption. The certification must include information on the square footage of the facility and the time and amount of the qualifying investment. DEED must also annually inform DOR of the centers which are likely to be certified for this exemption each of the next four years.

Effective the day after final enactment.

**10 Greater Minnesota business expansions.** Requires that the sales tax exemption for Greater Minnesota business expansions only applies to purchases to be used at the facility in Greater Minnesota identified in the business subsidy agreement and limits the total amount of refund to a business to the amount in the business subsidy agreement. Provides that if a refund claim is deferred due to the annual limit on refunds made under this section, interest on the refund will not begin until 90 days after the start of the fiscal year in which the refund will be paid. Effective the day following final enactment.

**11 Sales to government.** Modifies the sales tax exemption for local governments as follows:

- Eliminates the illustrative list of government services whose inputs would remain taxable and replaces it with a definitive list. Goods and services purchased by exempt local governments for a publicly provided liquor store, gas or electric utility, golf course, marina, campground, cafe, laundromat, solid waste hauling, solid waste recycling, or a landfill will remain taxable.
- Extends the definition of tax exempt local governments, which currently includes counties, cities, and townships, to include all special districts; city, county, and township instrumentalities; and all joint powers boards and organizations. The change will be effective for all local government entities, except the Metropolitan Council, beginning January 1, 2016. All Metropolitan Council purchases not currently exempt under this or other sections will be exempt beginning January 1, 2017.
- Also clarifies and confirms that “cities” means both statutory and home-rule charter cities, which is how DOR has been interpreting this provision.

Effective for sales and purchases after June 30, 2014.

**12 Fundraising sales by or for nonprofit groups.** Raises the annual limit of non-taxable fundraising sales for youth and senior citizen groups from \$10,000 to \$20,000 annually. Provides that if a group’s fundraising sales exceed the \$20,000 limit, the sales tax would only apply to the portion in excess of \$20,000. Effective for sales made after June 30, 2014.

**13 Fundraising events sponsored by nonprofit groups.** Defines fundraising days for purposes of the limit of 24 days that nonprofits are allowed to engage in fundraising events. The definition excludes ongoing sales at stores and restaurants, ongoing sales over the Internet, and regularly scheduled classes or activities that are part of the nonprofit’s normal course of business. Effective for sales made after June 30, 2014.

**14 Nonprofit snowmobile clubs; machinery and equipment.** Provides a sales tax exemption for nonprofit snowmobile clubs on equipment and machines used in grooming state or grant-

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in-aid snowmobile trails.

To qualify, the club, working with a local government sponsor, must be receiving in the current year or have received in the last three years a state grant for this purpose. Effective for sales made after June 30, 2014.

- 15 Rates, cigarettes.** Removes the excise tax rate of 283 mills for cigarettes weighing more than three pounds per thousand. This was an obsolete provision that now applies to some little cigars. Elimination of this rate means one rate will apply to all cigarettes and little cigars. Effective July 1, 2014
- 16 Accelerated tax payment, cigarette or tobacco distributors.** Increases the annual tax liability threshold for cigarette and tobacco distributors required to remit June tax collections on an accelerated basis from \$120,000 to \$250,000. Also decreases the percentage of June tax liability that must be paid on an accelerated basis from 90 percent to 81.4 percent. Effective beginning with June 2014 tobacco taxes.
- 17 Microdistillery credit.** Creates a tax credit for a qualified distiller equal to \$1.33 per liter on up to 100,000 liters, similar to the small brewer credit already in law. A qualified distillery is one who produces distilled spirits in a total quantity not to exceed 40,000 proof gallons in the calendar year immediately preceding the calendar year for which the credit is claimed. The total allowable credit is equal to either the lesser of the qualified distiller's actual tax liability, or \$133,000. Effective July 1, 2014.
- 18 Microdistilleries.** Provides that microdistilleries are wholesalers for purposes of imposing the excise tax on samples they give out or sales of distilled spirits in cocktail rooms on their premises. Effective July 1, 2014.
- 19 Accelerated tax payment, penalty (liquor taxes).** Increases the annual tax liability threshold for liquor distributors required to remit June tax collections on an accelerated basis from \$120,000 to \$250,000. Also decreases the percentage of June tax liability that must be paid on an accelerated basis from 90 percent to 81.4 percent. Effective beginning with June 2014 liquor taxes.
- 20 Aircraft registration tax.** Changes the tax rate schedule for the aircraft registration tax enacted by the 2013 legislature to make it clear that the end point of each bracket includes all amounts up to the starting point of the next bracket. Existing law has a \$1 gap in the amounts. The change is effective at the same time as the 2013 change (for registrations beginning on July 1, 2014).
- 21 Food and beverage tax (Duluth).** Allows the Duluth city council to increase its food and beverage tax from the current rate of 1.75 percent to 2.25 percent with the additional revenue dedicated to fund up to \$18 million of capital projects related to tourism and recreation in the portion of the city west of 34<sup>th</sup> Avenue West. The temporary increase ends when the additional revenue raised under this section and section 22 is sufficient to fund the allowed projects.

Additionally the city is allowed to issue up to \$18 million in general obligation bonds for

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these projects without a referendum or the bonds counting toward the city's net debt limit. The revenues from this tax and the tax in section 22 may be pledged to repay the bonds.

Also eliminates obsolete language related to a 1998 temporary increase of the Duluth food and beverage tax from 1.75 percent to 2.25 percent to fund the Duluth Entertainment and Convention Center (DECC) and the Great Lakes Aquarium, which has expired. Effective upon the city filing approval with the secretary of state.

- 22 City of Duluth; tax on receipts by hotels and motels.** Allows the Duluth city council to increase its lodging tax from the current rate of 1.0 percent to 1.5 percent with the additional revenue dedicated to fund up to \$18 million of capital projects related to tourism and recreation in the portion of the city west of 34<sup>th</sup> Avenue West. The temporary increase ends when the additional revenue raised under this section and section 21 is sufficient to fund the allowed projects. Also eliminates obsolete language related to a 1998 temporary increase of the lodging tax from 1.0 percent to 1.5 percent to fund the DECC and the Great Lakes Aquarium which has expired. Effective upon the city filing approval with the secretary of state.
- 23 Termination of taxes (Albert Lea).** Changes the allowed time period for imposition of the local sales tax in Albert Lea from the lesser of 10 years or when \$15 million is raised, to the lesser of 15 years or when the \$15 million is raised. Effective upon the city filing approval with the secretary of state.
- 24 Use of revenues (Baxter).** Allows the city of Baxter, with approval of the voters, as provided in section 26, to extend its local sales tax to fund up to an additional \$40 million in sanitary sewer and storm sewer projects, transportation safety improvements, and improvements to the Brainerd Lakes Area Airport.
- 25 Bonds (Baxter).** Allows the city of Baxter to issue up to \$40 million in bonds for the new projects authorized in section 24, based on the vote on the tax extension in section 26. \$8 million of the bonding authority must be for the airport improvements. Effective the day after final enactment
- 26 Termination of taxes (Baxter)** Allows the city of Baxter to extend its local sales taxes if approved by the voters at the 2014 general election. If approved the tax would expire at the earlier of (1) December 31, 2037, or (2) when revenues are sufficient to pay for the authorized projects plus associated bond costs. Effective upon filing approval with the secretary of state.
- 27 Use of revenues (Brainerd).** Allows the city of Brainerd, with approval of the voters, as provided in section 29, to extend its local sales tax to fund up to an additional \$15 million for improvements in the joint waste treatment facility, other water infrastructure, and trail improvements.
- 28 Bonds. (Brainerd).** Clarifies that the existing bond authority only applies to the original projects authorized in 2006.
- 29 Termination of taxes (Brainerd).** Allows the city of Brainerd to extend its local sales taxes

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if approved by the voters at the 2014 general election. If approved the tax would expire at the earlier of (1) when an additional \$15 million is raised, or (2) 18 years after the original termination date for the tax. Effective upon filing approval with the secretary of state.

- 30 Effective date (durable medical equipment and drugs).** Modifies the effective date in the 2013 omnibus tax bill for the exemption of purchases covered by Medicare or Medicaid, to be retroactive for sales and purchases made after April 1, 2009, and allows a refund for the period April 1, 2009 to July 1, 2013, if the tax was paid by the vendor but never collected from the purchaser. The refund request must be filed by June 30, 2015.
- 31 Effective date (medical supplies and accessories).** Modifies the effective date in the 2013 omnibus tax bill for the exemption of purchases covered by Medicare or Medicaid, to be retroactive for sales and purchases made after April 1, 2009, and allows a refund for the period April 1, 2009 to July 1, 2013, if the tax was paid by the vendor but never collected from the purchaser. The refund request must be filed by June 30, 2015.
- 32 Effective date (qualified data centers).** Along with section 9, clarifies the effective date changes related to the qualified data center and refurbished data centers sales tax exemption modifications enacted during the 2013 session. The counting of computer software maintenance agreements toward the required investment regardless of whether it is a data center or refurbished data center is effective beginning July 1, 2013 as are all requirements related to “refurbished data centers.” All other requirements for new data centers are effective beginning June 30, 2012.
- 33 Effective date (pharmaceutical manufacturing facility).** Clarifies that the sales tax refund on construction materials and capital equipment for construction or expansion of a large pharmaceutical manufacturing facility may not be applied for before June 30, 2015. It is doubtful that minimum investment and job development requirements can be met by the facility before June 30, 2015.
- 34 Proctor, local sales taxes authorized.** Allows the city of Proctor, by ordinance, to impose a food and beverage tax of up to one percent. The tax also applies to alcoholic beverages. The revenue must be used to pay for trails, a civic center and parking improvements, and realignment of roads through the county fairgrounds. Allows the city to contract with the commissioner of revenue for collection and administration of the tax. Effective upon filing approval with the secretary of state.
- 35 Donated materials for a library expansion.** Provides an exemption for building materials purchased and donated by a private entity and used in building an addition to a city library. Effective for sales and purchases made after April 1, 2014 and before July 1, 2015.
- 36 Validation of prior act; authorization (Albert Lea).** Allows the city to file its approval of its original 2005 and 2006 sales tax laws and retroactively validates the enactment of that tax by June 15, 2014. Normally a special law must be approved in the biennium in which it is enacted or it does not take effect. Effective the day after final enactment.
- 37 Sales to instrumentalities of the states.** Provides a temporary sales tax exemption for prepared food, candy, beverages and alcoholic beverages for an instrumentality of all the states (National Conference of State Legislatures) for an annual meeting in Minnesota this

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summer. Effective for purchases made between July 1, 2014 and December 31, 2014.

- 38** **Voluntary tax compliance program, animal shelters.** Provides that if a nonprofit animal shelter that currently is not registered to collect and remit the sales and use tax, voluntarily registers and begins collecting the tax by January 1, 2014 it is not liable for back taxes. This provision also applies to nonprofit animal shelters that are currently being audited if they were not registered to collect prior to the audit and the audit is not finally resolved before January 1, 2015. This provision does not apply to taxes already collected by the seller, or remitted to the state. Effective the day after final enactment.

### **Article 4: Income and Estate Taxes**

#### **Overview**

Makes various changes in the individual income and estate taxes, including:

- Provides parity for vanpool and transit pass fringe benefits with parking benefits through a subtraction from taxable income.
- Extends the military pay income tax subtraction to National Guard members who serve in Active Guard/Reserve status.
- Allows an income tax credit for expenses related to treatment of children with reading disorders, for tax year 2014 only.
- Authorizes the commissioner of revenue to enter into a new income tax reciprocity agreement with Wisconsin under which the payment from Wisconsin to Minnesota could be \$1 million less than the net revenue loss to Minnesota.
- Requires the commissioner of employment and economic development (DEED) to develop and implement a plan to promote use of the angel investment credit in greater Minnesota, and expands the definition of businesses that qualify for the credit
- Conforms to a new federal law allowing acceleration of income tax benefits for charitable contributions for the relief of victims of Typhoon Haiyan
- Provides that qualified works of art do not have a Minnesota situs under the estate tax.
- Clarifies the application of chapter 150's repeal of the gift tax to the 3-year look back rule under the estate tax

- 1** **Qualified small business; angel investment credit.** Expands the definition of qualified small business for the angel investment credit. Under current law businesses must meet a variety of requirements for investments to qualify for the credit. One of the requirements is that the primary business activity is:

- ▶ Using proprietary technology to add value to a product, process, or service in a qualified high-technology field
- ▶ Researching or developing a proprietary product, process, or service in a qualified high-technology field, or
- ▶ Researching, developing, or producing a new proprietary technology for use in the fields of agriculture, tourism, forestry, mining, manufacturing, or



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transportation.

This section adds a fourth criterion, allowing businesses to qualify if they have as their primary business activity researching and developing a proprietary product, process, or service in the fields of agriculture, tourism, forestry, mining, manufacturing, or transportation.

Effective beginning in tax year 2014. [Note: since DEED has already allocated the full amount provided for credits in tax year 2014, this change will first affect credit applications for calendar year 2015.]

- 2 **Allocation of angel investment credit.** Strikes superfluous language enacted in Laws 2014, chapter 150, related to the credit allocation.
- 3 **Promotion of angel investment credit in greater Minnesota.** Requires the commissioner of DEED to develop a plan to promote usage of the angel credit in greater Minnesota and by women- and minority-owned businesses. Laws 2014, chapter 150, provided that \$7.5 million of the \$15 million provided for the angel investment credit in 2015 and 2016 be reserved through September 30<sup>th</sup> of the year for investments in greater Minnesota and women- and minority-owned businesses. The plan required in this section must have the goal of allocating the full amount of the reserved credit to investments in greater Minnesota and women- and minority-owned businesses. Requires the commissioner of DEED to include information on the plan and attainment of the goal in the annual report to the legislature.
- 4 **Greater Minnesota internship credit; definitions.** Modifies the definition of “eligible institution” to include graduate degree-granting colleges and universities. Modifies the definition of “eligible student” to include a student who has completed one-half of the credits necessary to obtain a graduate degree; the definition is currently limited to students who have completed half the credits necessary for an undergraduate degree. Effective the day following final enactment.
- 5 **Greater Minnesota internship credit; length of internship.** Decreases the minimum length of time for a qualifying internship from 12 weeks to eight weeks. Effective the day following final enactment.
- 6 **Greater Minnesota internship credit; reporting requirement.** Extends by one year the dates for the two reports due to the legislature, so that the report providing data on the program will be due February 1, 2016, and the report analyzing program effectiveness will be due February 1, 2017. Effective the day following final enactment.
- 7 **Minnesota tax laws; gift tax reference.** Strikes a reference to the gift tax chapter, which was repealed in Laws 2014, chapter 150, in the definition of “Minnesota tax laws” in the data practices chapter.
- 8 **Data practices; gift tax reference.** Strikes language in the data practices chapter allowing donors to inspect gift tax returns, since the gift tax was repealed in Laws 2014, chapter 150.
- 9 **Update of administrative tax provisions.** Adopts federal tax administrative changes made between December 20, 2013, and March 26, 2014. The federal law enacted in that time

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period does not change federal provisions referenced in chapter 289A.

**Effective date:** Effective retroactive to tax year 2013.

- 10 Update to federal definition of taxable income.** Adopts all the federal changes to taxable income in the Philippines Charitable Giving Assistance Act, which allows taxpayers may elect to treat contributions for typhoon relief made after March 25, 2014, and before April 15, 2014, as though they were made on December 31, 2013. The effect is to allow individual and corporate calendar-year taxpayers to deduct typhoon relief contributions made from March 26<sup>th</sup> through April 14<sup>th</sup> on their 2013 federal income tax returns, rather than on their 2014 returns. This section would allow deductions made by Minnesota taxpayers to flow through to their 2013 state returns. Without this change, taxpayers deducting typhoon relief contributions on their 2013 federal returns would be required to add those contributions to Minnesota taxable income on their 2013 state returns and then deduct them from Minnesota taxable income on their 2014 state returns.

**Effective date:** Effective retroactive to tax year 2013.

- 11 Additions to taxable income; individuals.** Modifies the state limitation of itemized deductions and phaseout of personal exemptions to ensure that the state limitation and phaseout are applied independently of the federal limitation and phaseout as reinstated in the American Taxpayers' Relief Act of 2012 (ATRA). Effective retroactively to tax year 2013.

- 12 Subtractions from taxable income; individuals.** Provides a subtraction from income for the value of employee transit passes and van pooling transportation expenses up to the same maximum amount as the federal exclusion for qualified parking expenses. For 2014, the federal exclusion for parking expenses is \$250 per month; and the exclusion for vanpools and transit passes is \$130 per month. This provision allows the difference, up to an additional \$120 per month, to be subtracted at the state level. For tax years 2009 through 2013, the federal exclusion for transit passes and vanpooling expenses was temporarily increased to match the parking exclusion; Minnesota conformed to the increased amount. The subtraction in this section makes the increased transit pass and vanpooling exclusion permanent at the state level. The subtraction would not apply in years in which the increased exclusion was allowed at the federal level, so that transit pass and vanpool expenses would only be excluded or subtracted from state taxable income once. Effective beginning in tax year 2014.

Also extends the existing military pay subtraction to National Guard members in Active Guard/Reserve status and individuals in active status under the state adjutant general. Current law allows subtraction of military pay of other reserve members in Active Guard/Reserve Status. Effective for tax year 2014 and following years.

- 13 Internal Revenue Code.** Adopts federal changes to the Internal Revenue Code made between December 20, 2013 and March 26, 2014. Section 10 incorporates federal changes as they related to the definition of taxable income; this section incorporates federal changes for all other elements of the state income tax, including the definition of adjusted gross income, alternative minimum taxable income, and the calculation of household income, which is used to compute the dependent care and K-12 education credit. The federal changes are described in section 10.

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**Effective date:** Effective retroactive to tax year 2013.

**14 Income tax reciprocity; Wisconsin.** Authorizes the commissioner of revenue to enter into a new income tax reciprocity agreement with Wisconsin under which the amount received by Minnesota could be up to \$1 million less than the net revenue loss to Minnesota as a result of the agreement, provided the agreement is made before September 30, 2014. Effective the day following final enactment.

**15 Alternative minimum tax; individuals.** Provides a subtraction from alternative minimum taxable income for amounts deducted under the subtraction for transit pass and vanpool expenses provided in section 12.

**16 Update of references to Internal Revenue Code; property tax refund chapter.** Adopts the federal changes that affect household income, which uses the definition of federal adjusted gross income as a starting point.

**Effective date:** Retroactive to tax year 2013.

**17 Estate tax definitions.** Defines a “qualified work of art” as a work of art, as provided by the federal estate tax, that is owned by a non-resident and on loan to a Minnesota art museum or similar charity. These works of art are treated as not having a Minnesota situs. This ensures that a nonresident’s loan of a work of art to a Minnesota art museum will not trigger an obligation to file or pay Minnesota estate tax when the nonresident dies. This section also adds the value of Minnesota-only qualified terminable interest property (QTIP) property to the definition of federal gross estate for the surviving spouse who is a beneficiary of a QTIP income interest. This ensures that this property will on the death of the surviving spouse (the QTIP beneficiary) be used to determine whether the estate has a tax filing obligation. The section updates the reference to the Internal Revenue Code in the estate tax through March 26, 2014. Effective retroactively for deaths after December 31, 2013.

**18 Minnesota QTIP property.** Clarifies that upon the death of the surviving spouse, Minnesota-only QTIP property is included in the Minnesota taxable estate. This parallels the treatment under section 17 for the filing requirement.

**19 Credit for nonresident decedents.** Corrects a reference in the credit for nonresident decedents, which was re-codified in Laws 2014, chapter 150.

**20 Effective date; Minnesota taxable estate.** Clarifies that the effective date of the new definition of the Minnesota taxable estate, enacted in Laws 2014, chapter 150, applies only to taxable gifts made after June 30, 2013. This limits the 3-year look back rule, which includes taxable gifts made within 3 years of the date of death in the estate, to gifts that were taxable under the repealed gift tax.

**21 Definition of taxable gift.** Defines taxable gifts for purpose of the 3-year look back rule for estates of decedents who died between June 30, 2013 and January 1, 2014. This language codifies the definition in the repealed gift tax, including guidance issued by DOR.

**22 Reading credit.** Allows a new credit equal to 75 percent of expenses for treatment of a

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reading disorder such as dyslexia that impairs a child from reading and comprehending language at the expected age level. The maximum credit is \$2,000 per child, and the credit is not allowed for expenses covered by insurance or otherwise reimbursed to the parent, or for expenses used to claim the current law K-12 education credit or subtraction. Defines “treatment” to mean instruction that

- ▶ teaches language decoding skills in a systematic manner
- ▶ uses recognized diagnostic assessments to determine the appropriate treatment, and
- ▶ uses a research-based method

Defines “instructor” by reference to chapter 120A as an individual who

- ▶ holds a Minnesota teaching license
- ▶ is supervised by an individual with a Minnesota teaching license
- ▶ teaches in an accredited school, or
- ▶ holds a bachelor’s degree

and who is not the parent, grandparent, or sibling of the child receiving instruction.

The credit is refundable and is effective for tax year 2014 only. Requires a report to the tax and education committees by March 1, 2016 on the usage of the credit.

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### Article 5: Minerals

#### Overview

Makes technical corrections and changes in the Laws 2014, chapter 150, provisions that allocated production tax moneys to the newly created Iron Range School Consolidation and Cooperation fund.

Clarifies that distributions of the net proceeds tax on nonferrous mining (paid in lieu of property taxes) that go to the political subdivisions where the mine is located are shared with the local governments in which the plant is located, similar to the mechanism used for the taconite production tax, and shifts two percentage points of the net proceeds revenues from economic development fund to the environmental protection fund.

Allows Rock County to continue imposing its 10-cent per cubic yard aggregate tax for ten years.

Provides greater flexibility in spending taconite distributions by modifying

- ▶ the special 2008 distribution to the city of Aitkin and
- ▶ the 2013 distribution to the city of Cook

Provides a one-time 2014 distribution of production tax moneys for 18 specified local public works projects on the Iron Range.

- 1 Apportionment of FD levy; taconite area.** Clarifies the Laws 2014, chapter 150 changes in the Iron Range Fiscal Disparities (FD) law to differentiate between each jurisdiction's preliminary distribution levy (before any reflection of a special allocation to offset deficits in the Iron Range school fund) and its final distribution levy (after reflection of any special school allocation).
- 2 Areawide tax rate; taconite area FD.** Eliminates the addition of the school fund allocation in calculating the FD areawide rate, due to the changes made under chapter 150. This reflects the intent that the school fund allocation is to be funded by a diversion of the "regular" levies, not an increase in the areawide tax rate.
- 3 Distribution of net proceeds tax.** Modifies the distribution of the net proceeds tax (imposed on nonferrous mining in lieu of the property tax) for the five-percent share to the city or town, the 10-percent share to the school district, and the 20-percent share to the county in which the mine is located in a situation where the concentration plant is located in a different city/town, school district, or county.

The changes in all three cases provide for splitting the proceeds between the jurisdiction with the mine and concentration plant, when they are not the same. The commissioner of revenue will make this split on an equal basis between the governmental units with mining versus the concentration or processing facilities. If multiple jurisdictions are involved (e.g., a mine in two towns or cities) the commissioner is to give "due consideration to the relative extent of such operations performed in each taxing district." This language parallels the language used

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for allocating taconite production tax revenue. For the county distribution, one percent is allocated to the Range Association of Municipalities.

In addition, the distribution to the Douglas J. Johnson economic protection fund is reduced from five percent to three percent of revenues and the environmental protection fund is increased from five percent to seven percent of revenues.

- 4**      **Production tax distribution; county road and bridge fund.** Increases production tax distribution to the county road and bridge funds by 5 cents per ton (cpt), effective for the 2024 distribution. Chapter 150 reduced this distribution by 5 cpt to fund the Range school fund. This changes limits that diversion to a 9-year period (2015-2023).
- 5**      **Iron Range school fund.** Modifies the funding of the Range school consolidation and cooperation fund to reflect the change in the county road and bridge fund in section 4 and the moving of the dedication of two-thirds of the revenue attributable indexing of the production tax rate for 2015 – 2017 under section 6. The language clarifies that the cumulative effect of (two-thirds of) these adjustments is dedicated in each of the affected years.
- 6**      **Distributions from production tax indexing.** Eliminates the dedication of two-thirds of the revenue from indexing of the 2015-2017 distributions to the school fund. This dedication is moved to section 5.
- 7**      **Rock County aggregate tax.** Extends for ten years the authority for a county that borders two other states and that is not contiguous to a Minnesota county with an aggregate tax to impose the tax at 7 cents per ton or 10 cents per cubic yard. (The general law requires counties to impose aggregate tax, if they elect to use the authority, at a rate of 21.5 cents per cubic yard or 15 cents per ton.) Rock County is the only county using this statutory authority. The section extends the authority to impose the tax at a lower rate, which is set to expire December 31, 2014, through 2024.
- 8**      **One-time 2008 production tax distribution; Aitkin.** Allows the city of Aitkin to use its 2008 special distribution of taconite production tax revenues for any economic development project. Current law designated the distribution for sewer and water improvements for a housing project, which was not constructed.
- 9**      **One-time 2013 production tax distribution; Cook.** Modifies a distribution of taconite funds made in the 2013 omnibus tax act to allow all the distribution to the city of Cook be used for street improvements, business park infrastructure, and a maintenance garage. The 2013 legislation dedicated three-quarters of the distribution for those purposes and the other one-quarter for a water line project.
- 10**     **Reallocation of bond payments.** Provides that as nine listed Iron Range school bonds are repaid, the production tax amounts used to pay them (based on the 2013 distribution amounts) will go to the Iron Range School Consolidation and Cooperation Fund, rather than under the general distribution formula. This will typically reduce the residual distributions to the Douglas J. Johnson economic protection fund and the environmental protection fund.
- 11**     **One-time 2014 distribution of production tax revenues.** Provides for a special

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distribution of 18.84 cpt of 2014 production tax revenues. This money is to come from surplus in the fund used to pay taconite homestead credit and payments are to be made within ten days of the August 2014 distribution. The special distribution is allocated (references are to cities unless town or township is specified):

1. 1.3 cpt for a Silver Bay water project
2. 0.5 cpt to Grand Rapids for Reif Center landscaping
3. 0.65 cpt to LaPrairie for business expansion improvements
4. 0.78 cpt for Cohasset infrastructure project
5. 0.39 cpt for salt storage and cold storage buildings in Balkan Township
6. 3 cpts to McKinley for water project, subject to a matching fund requirement and expiring after three years
7. 6.5 cpt to the IRRRB for township block grants
8. 0.5 cpt for Marble water main and looping project
9. 0.65 cpt for Nashwauk infrastructure project
10. 0.35 cpt for demolition of a public building in Babbitt
11. 0.65 cpt for Hoyt Lakes storm water project
12. 0.65 cpt for Aurora infrastructure project
13. 0.65 cpt for Silver Creek infrastructure project
14. 0.5 cpt for Calumet infrastructure project
15. 0.5 cpt for Nashwauk town hall
16. 0.5 cpt for Biwabik waste water treatment repairs
17. 0.47 cpt for Cuyuna city projects
18. 0.3 cpt for Morse Township trail

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### Article 6: Local Development

#### Overview

Authorizes:

- The Ramsey County Housing and Redevelopment Authority (HRA) to establish housing improvement areas
- The Dakota County Community Development Agency (CCDA) to fund up to three housing projects under its allocation of federal low income housing credits.
- Provides \$2 million grants for workforce (market rate) housing in Pennington and Roseau counties.

Modifies the tax increment financing (TIF) law to provide:

- The 5-year rule is extended to eight years for redevelopment districts created between April 20, 2009 and June 30, 2012.
- The same fiscal disparities election authority to economic development districts as apply to any other type of TIF district.

Provides special law TIF authority for the cities of:

- Baxter
- Bloomington
- Eagan
- Edina
- Maple Grove
- Mound
- Savage
- Shoreview
- North St. Paul

**1 Ramsey county HRA; housing improvement areas.** Authorizes the Ramsey County HRA to exercise housing improvement area (HIA) powers. The HRA would be allowed to do this by resolution, rather than ordinance as is required for cities exercising those powers. The city in which the housing improvement area would be established may veto it by resolution. Effective the day following final enactment.

**Background.** The 2013 legislature granted the Dakota County Community Development Agency equivalent authority.

An HIA is a defined area in a city in which housing improvements in condominium or townhome complexes may be financed with the assistance of the city, or the city's economic development authority (EDA) or HRA. The improvements that may be made under this law include improvements to the common elements in a condominium complex or townhome development. Examples include roofing, siding, landscaping, roadways, and walkways.

An HIA can only be established at the request (petition) of at least 50 percent of the owners



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of the housing units in the proposed area. If the petition is filed, then the city prepares an ordinance that:

- describes the area specifically;
- states the basis for imposing fees and the number of years the fees will be imposed;
- makes a finding that without the HIA, the proposed improvements could not be made; and
- specifies if the city, the EDA, or HRA will implement the ordinance.

In addition, the city must fully disclose the public expenditures and financing for the projects, and determine whether the association or the implementing agency will contract for the work.

Before adopting the ordinance, the city must hold a public hearing at which the proposed improvements, affected housing units, and the exempt units are listed. Fees can be imposed on the basis of the tax capacity (value) of the housing unit, total square footage of the housing unit, or a method determined by the city and specified in the resolution. Before a city uses an alternative method to set fees, it must make a finding that the alternative basis is more fair and reasonable. Potentially affected property owners may testify at the hearing. Those property owners may object in writing, and if the city agrees, may be excluded from the area or fee imposed.

The ordinance may be adopted within six months after the conclusion of the public hearing. If 45 percent or more of the affected residents file an objection, the HIA is not established.

The city may finance the housing improvements by:

- (1) advancing funds available to the city and then recovering the costs by charging the property owners fees; or
- (2) issuing bonds and then imposing fees or assessments to repay the bonds. The bonds are not included in the city's net debt and no election is required for their issuance.

Before imposing fees, the city must provide public notice and hold a public hearing. Within six months of the conclusion of the public hearing, the city may adopt a resolution to impose the fees.

Before the city imposes and collects the fee, the condominium or townhome association must develop a long-term plan to maintain the complex. The plan must address operations, maintenance, and necessary capital improvements of the common elements. It must identify financing for the projects. The association must also submit its audited financial report to the city annually.

- 2 Dakota CCDA; housing credit allocation.** Creates new eligibility for projects to use allocations of federal low income housing tax credits in the first round for Dakota CCDA. The tax credits are available for up to three projects for either new or rehabilitated multifamily housing, that is not restricted to those over 55, and is located in a commuter area located close to certain high frequency use transit stations, lines, and park and ride lots.

Effective beginning for the 2015 allocation of housing credits.

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- 3**      **Five-year rule.** Extends the 5-year rule to eight years for redevelopment districts certified after April 20, 2009 and before June 30, 2012.
- 4**      **Economic development districts; fiscal disparities option.** Allows cities to elect to make the fiscal disparities contribution for economic development districts in the same ways that are available for other types of TIF districts. This will allow the city to elect to make the contribution out of the city's tax base. Under present law, the contribution must be made from the TIF district's increment.
- 5**      **Bloomington.** Modifies the 2013 special legislation for the city of Bloomington that authorized expenditure of the first year of the fiscal disparities increment from the Mall of America TIF districts for the renovation or replacement of the Old Cedar Avenue Bridge. It allows any of the funds not needed to fund the bridge renovation or replacement to be used in the following order of priority:
- Signage for the bridge
  - Kiosks and other finding aids for the bridge and surrounding parkland
  - To improve trails that access the bridge.
- 6**      **Baxter.** Allows the city of Baxter to add a parcel to an economic development TIF district that was created under the 2010 Jobs Bill authority. This parcel was originally requested to be certified as part of the district but was removed by the county as a result of intervening actions by the Minnesota Department of Transportation that reconfigured the parcel. Increments from the district would be subject to the same rules that apply to Jobs Bill TIF districts and the prior planned improvement rule would not apply to the parcel.
- 7**      **Eagan; Cedar Grove TIF.** Allows the city of Eagan to elect to compute increment for the Cedar Grove redevelopment TIF district using the current tax rate, not the original tax rate in effect when the district was certified. This will increase increment revenues, since the original tax rate cannot be higher than the current rate.
- Allows the city to extend the 5-year rule for the district to 13 years. The 2010 Jobs Bill extended the basic 5-year rule to 10 years for this district, so this adds three years to the period.
- Allows the city to extend the duration of the district by three years (to 2032).
- Effective upon local approval; the duration extension is also subject to county and school district approval.
- 8**      **Edina.** Authorizes the city of Edina to create one or more housing districts in its Southeast Edina Redevelopment Project Area through June 30, 2017. These housing districts would have a 20-year duration (as compared with 25 years under general law) and would be allowed to satisfy a lower level of affordability (20 percent of the units, as opposed to 40 percent under general law). The city is authorized to use up to 35 percent of the revenues from its Southdale 2 economic development district to assist these housing developments.
- Effective upon local approval.

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**9 Maple Grove.** Authorizes the city of Maple Grove to create TIF districts (until June 30, 2020) under special rules in a defined area of the city. Before using this authority, the city must find that 80 percent of the defined area has one or more of the following conditions (a parcel is treated as wholly meeting a requirement if 70 percent of its area meets the requirement, except a 30-percent test applies for the substandard building requirement):

- Peat or other geotechnical difficulties with the soil that “impair” the ability to develop the parcel
- Substantial fill is required for commercial development
- Landfills, dumps, or similar conditions
- Quarries (e.g., gravel pits) or similar
- Floodway
- Substandard building(s), as defined under the TIF blight test under general law, on the parcel

**Special TIF rules that apply.** The following exceptions to general law TIF rules would apply to new districts created in the defined area. Any type of TIF district, except an economic development district or housing district, could be created in the area and qualify for these special rules.

- **A new type of TIF district – a soils deficiency district – with special qualifying rules would be allowed.** This authority roughly mirrors a similar type of district that existed under an old TIF law, which was repealed by the legislature in the 1990s. To qualify, 80 percent of the area would need to have soils or terrain difficulties with estimated correction costs (basically grading or filling) that exceed the fair market value of the property (but not counting the cost of roads and other public improvements that landowners could be specially assessed for). These soils deficiency districts would be allowed to collect 21 years of increments and would be limited to spending increments on land acquisition, soils correction, and the higher cost of public improvements that result from the soils conditions, and administrative expenses.
- **The five-year rule is extended to eight years.** Under general law, the five-year rule limits the period of time that in-district expenditures (under the percentage-pooling rules) may be spent.
- **The pooling percentage is increased from 20 percent to 40 percent.** However, to qualify for the higher percentage, the increment would need to be spent in the defined project area (i.e., the project area could not extend beyond these boundaries defined in the law).
- **The requirement that increments be used for decertification does not apply.** The bill exempts districts from the requirement that increments required to be spent on in-district costs after the running of the five-year rule (eight years under this section)

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must be used to pay outstanding obligations and, then, the district must be decertified. The bill does not specify what these increments may be used for after the 8-year period permitted has run.

- **Redevelopment district increments need not be spent on blight correction** if they are spent on infrastructure improvements anywhere in the defined project area.

- 10 Mound.** Allows the city of Mound to extend the 5-year rule for its Mound Harbor TIF district by 13 years. The 2010 Jobs Bill extended the basic 5-year rule to 10 years for this district, so this adds three years to the period.
- 11 North St. Paul.** Allows the city of North St. Paul additional time to request certification of a redevelopment district using the general law “deeming” provision for a specified parcel. That provision allows a city in applying the redevelopment district test to deem a parcel as blighted (i.e., occupied by a substandard building) if the city or the developer has already removed a substandard building from the parcel and requests certification with three years. The section extends that 3-year period through December 31, 2017. In addition, the city may elect to use the current value of the parcel (rather than the pre-demolition value) of the property as the original tax capacity for the parcel.
- 12 Savage.** Provides authority to the city of Savage to establish TIF districts in an area of the city containing a gravel mining site under rules that mirror those provided to Maple Grove in section 9.
- 13 Shoreview pilot project.** Authorizes the city of Shoreview to establish up to three economic development TIF districts for business retention and expansion. Increment from these districts may be used to assist qualified businesses, defined as businesses that:
- Already are operating in Shoreview, that do not have any substantial operations in Minnesota, or that are relocating operations from another state.
  - Provide an increase in manufacturing, research, service, or professional jobs, at least 75 percent of which will pay wages 25 percent higher than the area median.
  - Are not in retail sales or the provision of legal, medical, accounting, financial, entertainment, or similar services from the location.

These districts are subject to special rules:

- The duration limit is extended from 8 to 12 years.
- The nonqualifying space (e.g., general office space for a manufacturing facility) can be increased to 25 percent from the 15 percent limit under general law.
- Up to 20 percent of the increments can be deposited in a business retention or expansion fund the city establishes. The city also is permitted to deposit increments from the pre-1990 district into this fund. The fund can be used for the same types of projects, but is otherwise free of the restrictions that would apply to tax increments.

Effective upon local approval.

- 14 Workforce housing grants; pilot program.** Directs the commissioner of DEED to establish a workforce housing grant pilot program to make grants to cities to develop market

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rate apartments. To qualify for grants, cities must:

- Have populations of 1,500 or more.
- Be located in Pennington or Roseau county.
- Have an average rental housing vacancy rate of 5 percent or less in the city or any other city within 15 miles for at least the last two years.
- Have an employer or employers in the city or within 15 miles of the city with 20 more full-time equivalent employees that stated, in writing, that the lack of available rental housing has impeded their ability to hire employees.
- Have fewer than five market rate residential units per 1,000 residents constructed in each of the last ten years.
- Certify that grants will be used to construct workforce housing and will be matched by city, private, or nonprofit funds.

The grants are limited to the lesser of ten percent of the project cost or \$400,000.

- 15** **Appropriation.** Appropriates \$2 million (\$627,000 in fiscal year 2015 and the rest in fiscal year 2016) from the general fund for the workforce housing grant program under section 14. This is a one-time appropriation that is available through fiscal year 2018.

### **Article 7: Lewis and Clark Regional Water System Project**

#### **Overview**

This article provides local bonding and taxing authority, as well as state aid, to assist local governments in southwestern Minnesota in completing construction of the Lewis and Clark Regional Water System Project.

- 1** **Lewis and Clark Regional Water System Project.** Provides authority for the cities of Luverne and Worthington and Rock and Nobles counties to issue up to \$45 million in bonds for the Lewis and Clark Regional Water System Project. The limit on these bonds will be allocated among the four governmental units by the Lewis and Clark Joint Powers Board, as well as the responsibility for repaying them and any federal aid received. The obligations are not subject to referendum approval or statutory net debt limits.

Also provides that the Lewis and Clark Joint Powers Board will allocate to each of its members and to Rock and Nobles Counties a share of the local responsibility to repay the bonds; and provides that 50 percent of any future federal grants and aids for the project will be used to reduce these local shares proportionately.

Effective the day after final enactment.

- 2** **Debt service aid.** Provides for the commissioner of revenue to pay state aid to the Lewis and Clark Joint Powers Board to pay the debt service on the local bonds issued under section 1 to finance the Lewis and Clark water project. The aid equals the payments of principal and

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interest on the bonds due in the next year less (1) 1.5 percent of the combined adjusted net tax capacity of Rock and Nobles counties and (2) 50 percent of any federal grants and aids received for the project. Aid will be paid in July and December at the same time as provided under the LGA and CPA programs. The joint powers board will allocate the aid to the cities and counties that issue the bonds in proportion to their shares of debt service payments.

If the federal grants and aids received for the project that are used to pay the local share of debt service are more than the local payment obligation (i.e., excluding that paid with state aid), the joint powers board must repay the excess (up to the full amount of the state aid including amounts paid by the state under the appropriation in the capital investment bill) to the commissioner of revenue.

Effective beginning with aid payable in 2015.

- 3 City of Worthington sales tax; use of revenues.** Requires Worthington, if it extends its general sales tax under section 4, to use the revenues, in excess of the amount needed to pay for existing projects, to fund the Lewis and Clark water project.
- 4 City of Worthington sales tax; extension.** Authorizes Worthington to extend, by ordinance, its general (0.5 percent) sales tax through 2039, to fund the Lewis and Clark water project. This extension would not be subject to voter approval. Currently the tax expires after 10 years, or when revenues are sufficient to pay for project and debt costs for \$6 million of capital projects. Effective upon filing approval with the secretary of state.
- 5 Rock county sales tax.** Authorizes Rock county to impose a 0.5 percent sales tax to fund the Lewis and Clark water project. Imposition of the tax would not require voter approval. If the city of Luverne imposes a sales tax under section 7, the county could elect to impose the tax only in the parts of the county that exclude Luverne. This would result in a uniform 0.5 percent rate in the entire county. Revenues must be used for the water project; however, if revenues in a year exceed the amount required to pay the county's share of debt service the excess may be used for other capital projects in the county. The tax terminates at the earlier of (1) when the bonds for the water project have been paid off or (2) the county board votes to terminate the tax. The county cannot terminate the tax unless it has determined it has collected sufficient revenues (including state and federal aid) to pay its share of the bonds.

Effective upon filing approval with the secretary of state.

- 6 Nobles county sales tax.** Authorizes Nobles county to impose up to a 0.5 percent sales tax to fund the Lewis and Clark water project. Imposition of the tax would not require voter approval. While the city of Worthington's sales tax is in effect, the county could elect to impose the tax (at a 0.5 percent rate) only in the parts of the county that exclude Worthington. This would result in a uniform 0.5 percent rate in the entire county. Revenues must be used for the water project; however, if revenues in a year exceed the amount required to pay the county's share of debt service the excess may be used for other capital projects in the county. The tax terminates at the earlier of (1) when the bonds for the water project have been paid off or (2) the county board votes to terminate the tax. The county cannot terminate the tax unless it has determined it has collected sufficient revenues (including state and federal aid) to its share of pay the bonds.

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Effective upon filing approval with the secretary of state.

- 7** **City of Luverne sales tax.** Authorizes Luverne to impose, by ordinance, up to a 0.5 percent general sales tax to finance its share of the Lewis and Clark water project. Imposition of this tax would not require voter approval. Revenues must be used for the water project; however, if revenues in a year exceed the amount required to pay the county's share of debt service the excess may be used for other city capital projects. The tax terminates when the bonds for the water project have been paid off or the city council votes to terminate the tax. The city cannot terminate the tax unless it has determined it has collected sufficient revenues (including state and federal aid) to pay its share of the bonds.

Effective upon filing approval with the secretary of state.

### **Article 8: Miscellaneous**

## **Overview**

Makes various changes in tax procedures and in provisions related to minor taxes, including:

- ▶ Provides administrative appropriations to the commissioners of revenue, public safety, and natural resources for administration of the act.
- ▶ Modifies the notification process for license revocations for failure to file or pay state taxes.
- ▶ Authorizes a levy in the Carlton County Soil and Water Conservation District.

- 1** **AURI; Appropriation.** Changes the current law \$1 million annual appropriation for the Agricultural Utilization Research Institute (AURI) from an appropriation from the general fund to the commissioner of revenue for deposit in a special revenue fund to a direct appropriation to AURI.
- 2** **Old Cedar Avenue Bridge.** Designates the name "Old Cedar Avenue Bridge" for state bridge number 3145, and requires the designated name to be used on any publicly financed signage.
- 3** **Notice of pending license revocation for nonpayment of taxes.** Requires a licensing authority (for professional and occupational licenses) to notify license holders by certified mail that their license may be revoked for failure to pay state tax of \$500 or more or for failure to file tax returns. The authority must send the notice within 10 days after it received notice from the Department of Revenue (DOR). The notice must include a copy of the DOR notice, as well as information on how the licensee can obtain a tax clearance from DOR to avoid the revocation. The licensing authority is required to revoke the license, unless it receives a tax clearance from DOR within 30 days after it received the original notice.
- Effective date:** July 1, 2014
- 4** **Notice and hearing.** Eliminates the requirement for DOR to send license revocation notices, which under section 3 becomes the responsibility of the licensing authority. Before DOR is

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allowed to notify the licensing agency it must (under present law) notify the licensee of its intent to require revocation and the licensee's right to request a contested case hearing.

**Effective date:** July 1, 2014

- 5** **Carlton County Soil and Water Conservation District.** Authorizes Carlton County to impose a levy on behalf of the Carlton County Soil and Water Conservation District to pay for planning, constructing and equipping an office and storage facility for the District. Provides that the levy authority expires after the principal, interest, and any costs of a loan to finance the project have been paid off, or that the levy authority expires if the district is unable to obtain a loan for the project prior to May 1, 2017.

The levy authority is subject to local approval by the Carlton County board.

- 6** **Administrative appropriations.** Provides appropriations for administration of the act in the amounts of
- ▶ \$2.5 million in the fiscal year 2014-2015 biennium and \$1.18 million in the fiscal year 2016-2017 biennium to the commissioner of revenue
  - ▶ \$40,000 in fiscal year 2015 and \$18,000 in fiscal year 2016-2017 to the commissioner of public safety, for administering the volunteer retention stipend aid program in Article 1, section 1; and
  - ▶ \$400,000 in fiscal year 2015 to the commissioner of natural resources to assist in training related to the aquatic invasive species aid in Article 1, section 11.

## **Article 9: Unsession**

### **Overview**

Eliminates and repeals obsolete provisions. The changes are generally effective the day following final enactment, unless otherwise noted.

- 1** **Debt; definition.** Strikes a reference to a “debt qualification plan” in the definition of “debt” in the state debt collection chapter. The department no longer uses debt qualification plans, but instead uses service level agreements.
- 2** **Referring agency; definition.** Replaces a reference to “debt qualification plan” with “agreement” in the definition of “referring agency” in the state debt collection chapter. The department no longer uses debt qualification plans, but instead uses service level agreements.
- 3** **Collection services for referring agencies.** Strikes a reference to a “debt qualification plan.” The department no longer uses debt qualification plans, but instead uses service level agreements.
- 4** **Contracts for collection of debt.** Removes references to the commissioner of management and budget; under current practice the commissioner of revenue contracts directly with collection entities.



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- 5 **Notice to debtor.** Moves the requirement that the commissioner advise debtors of collection costs and the right to cancellation from the section of statute imposing collection costs to the section requiring notice to debtors.
- 6 **Imposition of collection costs.** Strikes the requirement that the commissioner advise debtors of collection costs, which is moved to section 5. Strikes an obsolete sentence appropriating collection costs collected by private agencies to referring agencies to pay collection fees because collection fees to private agencies are now paid by the department. Also strikes an outdated reference to the commissioner of management and budget.
- 7 **Cancellation of collection costs.** Strikes references to the former separate unit of the department of revenue (DOR) that collected only nontax debt. The entire Collection Division collects both tax and nontax debt.
- 8 **Rate for collection costs.** Strikes references to the former separate unit of DOR that collected only nontax debt. The entire Collection Division collects both tax and nontax debt.
- 9 **Reforestation areas, 1931.** Eliminates obsolete tax references (to property tax base amounts in 1931) under a program allowing counties to apply for the state takeover of lands for reforestation.
- 10 **Reforestation areas, 1933.** Eliminates obsolete tax references (to property tax base amounts in 1933) under a program allowing counties to apply for the state takeover of lands for reforestation.
- 11 **Drycleaner fee.** Provides that sellers of dry cleaning solvents must file their returns and pay the tax at the same time and in the same manner that they pay their sales tax. Effective for fees due after June 30, 2014.
- 12 **County road and bridge levy.** Eliminates an obsolete reference to the tax on money and credits. This tax has not been imposed since the 1940s and was formally repealed in 1979.
- 13 **State board of equalization.** Strikes an unnecessary phrase relating to the continuation of the state board of equalization, since remaining language provides that the commissioner may exercise all powers of the board.
- 14 **State board of equalization.** Strikes paragraphs authorizing the board to reduce aggregate valuations, and amends paragraphs allowing for increases in valuations to allow for increases or decreases.
- 15 **State board of equalization; public utility property.** Strikes language providing that public utility property is treated as a separate class of property notwithstanding the fact that its class rate is the same as that of commercial industrial property.
- 16 **Claimant agency; revenue recapture.** Strikes references to the former separate unit of DOR that collected only nontax debt. The entire Collection Division collects both tax and nontax debt.
- 17 **Data practices; biotechnology zones.** Eliminates a reference to the biotechnology and

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health science industry zone in the DOR data practices law. Section 94**Error! Reference source not found.Error! Reference source not found.Error! Reference source not found.** repeals the biotechnology zone law, which has not been funded since the FY 2004-05 biennium.

- 18 Notification requirements; sales and use taxes.** Strikes an outdated requirement that the electronic notification of sales tax permit holders begin no later than December 31, 2009.
- 19 Payment agreement fee.** Strikes obsolete language requiring the payment agreement fee to reflect the commissioner's costs. The payment agreement fee was initially a flat \$25 fee that was adjusted annually to reflect the commissioner's costs. It was later made a flat \$50 fee with no annual adjustment, but the language referencing the commissioner's costs was not removed.
- 20 Exempt property.** Strikes language tying the taxability of personal property to ownership by a Minnesota resident, making taxability dependent only on its presence in the state. Since the only taxable personal property is utility machinery and equipment, exempting personal property in Minnesota that is owned by non-residents is unnecessary.
- 21 Exceptions to exemption from taxation.** Strikes an obsolete references to telegraph companies.
- 22 Time for filing exemption statements.** Strikes a cross reference to a subdivision repealed by section 94.
- 23 Utility personal property.** Strikes a cross reference to a subdivision repealed by section 94 and to a previously repealed subdivision.
- 24 Wind energy production tax.** Eliminates obsolete language governing past distributions of wind energy production tax revenues.
- 25 County assessor salaries.** Removes obsolete assessor salary scales and compensation for city and county assessors. This language provides minimum compensation levels that are far below current assessor salaries.
- 26 Assessment books; school districts.** Removes the requirement that school district numbers be recorded in paper assessment books. Counties now maintain the required information about the school district in which property is located electronically.
- 27 Valuation of income-producing property.** Strikes an obsolete date reference in the section specifying that only certain assessors may value income-producing property.
- 28 Private golf club guidelines.** Strikes obsolete notification language related to outdoor recreation space for private golf courses to county attorneys and county assessors.
- 29 Sales ratio.** Updates a cross-reference to reflect changes in section 14.
- 30 Disparity reduction aid.** Provides that disparity reduction aid (DRA) is not recalculated each time there is a change in class rates. Effective beginning for taxes payable in 2015.

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- 31 Assessment books; exempt property.** Removes the requirement that exempt property be recorded in paper assessment books. Counties now maintain the required information about exempt property electronically.
- 32 Board meetings.** Strikes an obsolete requirement that assessors bring assessment books and papers to board meetings, and update information in paper assessment books. Counties now maintain assessment information electronically.
- 33 Special boards of review.** Strikes superfluous language that includes cities with charters that provide for a board of equalization in those cities authorized to appoint special boards, since the underlying language allows all cities to appoint special boards.
- 34 Computation of tax capacity.** Strikes outdated references to taxes payable in 1989 and 1990.
- 35 Local tax rate.** Strikes outdated references to taxes payable in 1989 and 1990.
- 36 Special levies.** Eliminates obsolete provisions from the definition of special levies under general law. This provision is not now in effect; the 2014 levy limits were imposed under a temporary, uncodified provision of law that only recognized selected special levies.
- 37 Special levy authorization.** Updates a cross-reference to reflect changes in section 36.
- 38 Special levy exemption.** Updates a cross-reference to reflect changes in section 36.
- 39 Interest on delinquent property taxes.** Eliminates obsolete language relating to calculation of interest on delinquent property taxes. Since 1991, these rates have been superseded by the rates set in subdivision 1a.
- 40 Interest on delinquent property taxes.** Eliminates obsolete language relating to calculation of interest on delinquent property taxes.
- 41 Real estate tax judgments.** Strikes obsolete references to paper judgment books. These records are now maintained electronically.
- 42 Transmittal of judgments to county auditor.** Strikes obsolete references to paper judgment books. These records are now maintained electronically.
- 43 Payment before judgment.** Strikes obsolete references to paper judgment books. These records are now maintained electronically.
- 44 Installment payments for tax-forfeited property.** Replaces obsolete references to 1941 statutes with references to current statutes.
- 45 Tax judgment sales.** Removes obsolete date-specific language related to public sales of property against which there is a tax judgment.
- 46 Certificate of sale.** Strikes an obsolete references to telegraphs.

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- 47 Recording of sales.** Strikes obsolete references to paper judgment books. These records are now maintained electronically.
- 48 Tax judgment sales.** Removes obsolete date-specific language related to public sales of property against which there is a tax judgment and strikes references to telegraphs.
- 49 Auditor's certificate.** Strikes obsolete references to paper judgment books. These records are now maintained electronically.
- 50 Redemption period.** Strikes obsolete redemption provisions for land in the Loring Park neighborhood for past redemption periods.
- 51 Tax judgments.** Strikes obsolete references to paper judgment books. These records are now maintained electronically.
- 52 Duties after sale.** Strikes obsolete references to telegraphs.
- 53 Easements.** Strikes obsolete references to telegraphs.
- 54 Repurchase of tax-forfeited property.** Strikes obsolete date-specific language.
- 55 Service fee.** Strikes obsolete date-specific language.
- 56 Conditions of repurchase.** Strikes obsolete references to telegraphs.
- 57 Forfeited land.** Strikes obsolete references to session laws.
- 58 Documentary stamps.** Removes references to obsolete deed tax documentary stamps, which are no longer used to reflect that deed tax has been paid.
- 59 Estimated tax.** Strikes duplicative language that says estimated payments are not required if the estimated tax is less than \$500, which appears elsewhere in chapter 289A.
- 60 Domestic corporation.** Eliminates references to domestic international sales corporations and foreign sales corporations, entities which no longer exist under federal law. Effective beginning in tax year 2014.
- 61 Subtractions from taxable income; corporations.** Strikes an obsolete subtraction for the difference between state-allowed and federally-allowed intangible drilling costs, which applied to costs incurred in taxable years prior to 1987. Effective beginning in tax year 2014.
- 62 Basis modifications.** Strikes obsolete language related to the Accelerated Cost Recovery System (ACRS). All assets placed in service using ACRS have now been completely depreciated, and Minnesota uses the same depreciation schedule as federal law, making these adjustments obsolete. Effective beginning in tax year 2014.
- 63 Taxable income definition.** Eliminates reference to the biotechnology and health science industry zone in the definition of taxable income. Section 94 repeals the biotechnology zones, which have not been funded since the FY 2004-05 biennium. Effective beginning in tax year 2014.

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- 64**      **Jurisdiction to tax.** Strikes an obsolete reference to telegraphs.
- 65**      **Annual accounting period.** Strikes obsolete language regarding accounting periods. Because Minnesota's tax calculation starts with federal taxable income, income taxpayers must use the same accounting periods for Minnesota purposes as used for federal purposes. Effective beginning in tax year 2014.
- 66**      **Accounting periods.** Strikes directions on changing accounting periods, since Minnesota income taxpayers must use the same accounting periods for Minnesota purposes as used for federal purposes. Effective beginning in tax year 2014.
- 67**      **Alternative minimum tax; corporations.** Strikes an obsolete adjustment for the difference between state-allowed and federally-allowed intangible drilling costs, which applied to costs incurred in taxable years prior to 1987. Also eliminates the exemption for biotechnology and health science industry zone income under the corporate alternative minimum tax. Effective beginning in tax year 2014.
- 68**      **Minimum fee.** Eliminates the exemption for biotechnology and health science industry zone factors (property and payrolls) under the minimum fee. Effective beginning in tax year 2014.
- 69**      **Net operating loss carryover.** Strikes obsolete language regarding net operating losses incurred in taxable years beginning before January 1, 1987, which allowed five-year carryovers and three-year carrybacks. These periods are now complete. The remaining language allows losses incurred in taxable years beginning after January 1, 1987 to be carried over for fifteen years. Effective beginning in tax year 2014.
- 70**      **Taxable income; S corporations.** Strikes a reference to depreciation modifications made obsolete by the changes in section 62. Effective beginning in tax year 2014.
- 71**      **Sales and purchase; admissions.** Strikes a reference to "Turkish baths" which are included in the definition of "steam baths."
- 72**      **Nonprofit tickets or admissions.** Strikes an obsolete phased-in requirement under the exemption for tickets to certain nonprofit arts events.
- 73**      **Sales tax refunds.** Eliminates obsolete reference to sales tax refunds for the Long Lake Conservation Center which has been completed and a meat processing facility that was never built.
- 74**      **Cross references.** Updates cross references to reflect changes made in section 73.
- 75**      **Cross references.** Updates cross references to reflect changes made in section 73.
- 76**      **Deposit of revenues.** Strikes deposit percentages that relate to past years 2001, 2002, 2003, and 2004 for the deposit of lottery in lieu of taxes.
- 77**      **Allocation of revenues.** Strikes deposit allocation provisions that relate to past years 2007, 2008, 2009, 2010 and up to June 30, 2011, for motor vehicle sales tax.

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- 78 Cigarette license application forms.** Strikes specific items required on cigarette and tobacco products license application forms; the underlying statute provides for the commissioner to prescribe the form.
- 79 Solid waste tax.** Eliminates the October 1st date for a solid waste facilities to apply to the Pollution Control Agency for a renewal of their tax exemption for source-separated compostable waste. Facilities would still annually apply to PCA, so this eliminates a duplicate filing requirement. Effective July 1, 2014.
- 80 Life insurance tax rate.** Eliminates obsolete references to now expired insurance premiums tax rates on life insurance.
- 81 Aggregate tax.** Eliminates references to specific counties in the aggregate tax statute. Under present law, any county is now authorized to impose this tax. Effective on January 1, 2015.
- 82 Assessor salaries.** Removes minimum assessor salary scales and compensation for city and county assessors that are far below current assessor salaries.
- 83 Police and fire retirement supplemental aid.** Strikes outdated language inadvertently retained after the changes made by Laws 2013, chapter 143.
- 84 Acceptance of gifts.** Eliminates the market value limitations on the types of second, third, and fourth class cities that are authorized to receive gifts, including gifts that are partially repaid as annuities. Effective July 1, 2014.
- 85 Compact development TIF districts.** Eliminates reference to compact development TIF districts. The authority to establish these districts expired in 2012 and was never used.
- 86 TIF administrative expenses.** Eliminates obsolete language in the TIF statute governing administrative expenses.
- 87 TIF; biotech zones.** Clarifies that the special TIF authority for biotechnology and health science industry zones can be used until those zones expire. This authority is not dependent on state funding of the zone and remains viable until the three zones (in Minneapolis, St. Paul., and Rochester) expire at the end of 2015.
- 88 MAC bonds.** Eliminates an obsolete reference to the tax on money and credits in a Metropolitan Airports Commission bonding statute. This tax has not been imposed since the 1940s and was repealed in 1979.
- 89 County program aid.** Removes outdated provisions for 2009 county program aid to Pine County, which has already been paid and is no longer effective.
- 90 Local government aid.** Strikes references to the road accident factor, which is no longer used as a factor for calculating local aid.
- 91 County program aid.** Strikes a cross-reference to a provision repealed in section 94.
- 92 Cost of transcripts.** Strikes a cross-reference to a provision repealed in section 94.

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**93 Revisor's Instruction.** Instructs the Revisor of Statutes to make all necessary cross references in Minnesota Statutes and Rules and other changes consistent with the changes made in the article.

**94 Repealer.** Repeals the following statutes:

<b>Statute</b>	<b>Description</b>
16D.02, subs. 5 and 8	Provides definitions of “debt qualification plan” and “enterprise” which are no longer used.
16D.11, subd. 2	Obsolete computation and requirement to return debts.
270C.53	Authority to abate the liability of a taxpayer who is unable to pay a delinquent tax liability if the taxpayer agrees to perform uncompensated public service, which according to DOR has not been used in a number of years.
270C.991, subd. 4	Authorization for the property tax working group which completed its work.
272.02, subs. 1, 1a, 43, 48, 51, 53, 67, 72, and 82	Personal property tax exemptions for public utility projects that were not constructed.
272.027, subd. 2	Personal property tax exemption for public utility project that was not constructed.
272.031	Language specifying that abbreviations may be used in property tax records.
273.015, subd. 1	Requirement that property tax statements be rounded to the nearest cent. Counties round property tax to the nearest dollar.
273.03, subd. 3	Language specifying that other laws that are not inconsistent with certain statutes remain in force and effect.
273.075	Instructional courses for certain assessors and auditors that were funded with a 1971 appropriation.
273.1103	Net debt conversion from full and true market value to assessed market (this was completed in the 1970s and replaced by net tax capacity in 1989).
273.13, subd. 21a	Definition of “class rate” to distinguish between “gross” and “net” class rates, a distinction which has not be used since the early 1990s
273.1383	1997 flood loss replacement aid.
273.1386	2002 flood loss replacement aid.

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- 273.1398, subd. 4b    Obsolete provision related to the state takeover of court costs.
- 273.80                    Distressed homestead reinvestment exemption for homes damaged before May 1, 2003.
- 275.77                    Temporary suspension of new or increased maintenance of effort requirements – expired July 1, 2011.
- 279.32                    Obsolete provision related to lands with delinquent tax repurchased before 1936.
- 281.173, subd. 8        Limits the applicability of statute relating to the redemption periods for certain abandoned properties to tax judgment sales on or after April 13, 1996.
- 281.174, subd. 8        Limits the applicability of statute relating to the redemption periods for certain vacant properties to tax judgment sales on or after April 13, 1996.
- 281.328                    Obsolete provision validating assignment certificates issued before January 1, 1972.
- 282.10                    Obsolete provision authorizing reimbursement of tax forfeiture purchases made before 1940 that are invalidated by a court.
- 282.23                    Obsolete provision related to tax forfeiture sales in 1926 and 1927.
- 287.20, subd. 4         Definition of “documentary stamps,” which is obsolete because such stamps are no longer used to verify that deed tax has been paid on recorded conveyances.
- 287.27, subd. 2         Authorization for use of tax meter machines to affix documentary stamps. Counties no longer use either tax meter machines or documentary stamps.
- 289A.56, subd. 7        Biotechnology and health science industry zone refund authority.
- 290.01, subd. 4b        Definition of “mutual property and casualty insurance company,” which is no longer used in chapter 290 since its reference was repealed from section 290.05 in 2001.
- 290.01, subd. 19e        Obsolete depreciation modifications for corporations.
- 290.01, subd. 20e        Modification in computing taxable income of the estate of a decedent that duplicates provisions in 290.01, subd. 19, and 291.03, subd. 1a.
- 290.06, subd. 30        Biotechnology and health science industry zone – job credit.
- 290.06, subd. 31        Biotechnology and health science industry zones – research credit.



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- 290.0674, subd. 3 K-12 education credit reduced by AMT liability.
- 290.191, subd. 4 Single sales apportionment by mail order sales companies – this is obsolete (as of tax year 2014), since single sales apportionment applies to all businesses.
- 290.33 Obsolete law outlining administration of a tax imposed in the middle of a calendar year. DOR no longer relies on this law; instead, each law change is enacted with an appropriate effective date.
- 295.52, subd. 7 Temporary tax rate reduction of the MinnesotaCare tax for the years 1998 to 2003.
- 297A.666 Streamlined Sales and Use Tax Agreement amnesty provision for remote sellers who voluntarily agree to register and collect sales tax
- 297A.68, subd. 38 Biotechnology and health science industry zone sales tax exemption.
- 297A.71, subsd. 4, 5, 7, 9, 10, 17, 18, 20, 32, and 41 Sales tax exemptions for projects that have been completed, expired, or both.
- 297F.08, subd. 11 Cigarette tax provision relating to railroad sleeping car companies as distributors. According to DOR, there are no licensed distributors who identify themselves as railroad sleeping car companies.
- 297H.10, subd. 2 Solid waste management tax penalty for failure to file, which replicates language in subd. 1.
- 469.174, subd. 10c Definition of compact development TIF districts – the authority to establish these districts expired in 2012.
- 469.175, subd. 2b Sunset of compact development TIF district authority.
- 469.176, subd. 1i Permitted use of increments for compact development TIF districts.
- 469.1764 Pre-1982 TIF districts – these districts have now all been decertified; any remaining increments would be required to be returned.
- 469.177, subd. 10 Distribution of TIF revenues generated by referendum levies to school districts – this provision is obsolete since all of these operating referenda levies are now spread on market value, which do not generate tax increment.
- 469.330 Biotechnology and health science industry zones definitions – these zones have not received state funding for their tax incentives since the FY 2004-05 biennium.
- 469.331 Biotechnology and health science industry zones development plan.

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- 469.332 Biotechnology and health science industry zone limits.
- 469.333 Biotechnology and health science industry zones application for designation.
- 469.334 Biotechnology and health science industry zones designation of zones.
- 469.335 Biotechnology and health science industry zone application for tax benefits.
- 469.336 Biotechnology and health science industry zone tax incentives.
- 469.337 Biotechnology and health science industry zone corporate franchise tax exemption.
- 469.338 Biotechnology and health science industry zone jobs credit.
- 469.339 Biotechnology and health science industry zone research credit.
- 469.340, subds. 1, 2, 3, 4, and 5 Biotechnology and health science industry zones – zone performance; remedies.
- 469.341 Biotechnology and health science industry zones – zone performance; remedies.
- 477A.0124, subds. 1 and 6 Calendar year 2004, 2011, and 2012 county program aid distributions.
- 505.173 Authority to correct plats that expired in 1953.
- Laws 1993, ch. 375, art. 9, § 47 Authorization for the city of Garrison to impose a local, general sales tax; this authority was never used.
- M.R. p. 8002.0200, subp. 8 Individual net operating loss rule made obsolete as a result of numerous law changes since the rule was promulgated in the 1970's.
- M.R. part 8007.0200 Rule relating to changes in accounting methods, which is obsolete because income taxpayers must use the same accounting periods for Minnesota purposes as used for federal purposes.
- M.R. 8100.0800 Phase-in of utility property valuation changes that is fully accomplished.
- M.R. 8130.7500, subp. 7 Provisions related to microfilm reproductions of records, which are no longer used.

## Section

### **Article 10: Department of Revenue – Technical and Policy Property Tax Provisions**

#### **Overview**

Makes miscellaneous technical and policy changes to property tax law recommended by the Department of Revenue.

- 1 Clerical corrections on state assessed values.** Allows the commissioner to make clerical corrections to state assessed values until December 31 of the assessment year. Effective the day following final enactment.
- 2 Clerical corrections on wind energy production.** Allows the commissioner to make clerical corrections relating to Wind Energy Production amounts up until December 31 of the year. Effective the day following final enactment.
- 3 Clerical corrections.** Allows county assessors to make clerical corrections relating to personal as well as real property valuations. Effective the day following final enactment.
- 4 Class 4.** Directly specifies classification rate for certain manufactured home park land as 0.75 percent, rather than by cross-reference to class 4d rate.
- 5 School district adjusted net tax capacity reporting deadline.** Changes the deadline for the Department of Revenue to file its annual adjusted net tax capacity report from June 15 to June 30. Effective January 1, 2014.
- 6 Clerical corrections on pipeline values.** Allows the commissioner to make clerical corrections to state assessed pipeline values until December 31 of the assessment year. Effective the day following final enactment.
- 7 Clerical corrections on transmission line values.** Allows the commissioner to make clerical corrections to transmission line values until December 31 of the assessment year. Effective the day following final enactment.
- 8 Clerical corrections on state assessed values.** Allows the commissioner to make clerical corrections to state assessed values until December 31 of the assessment year. Effective the day following final enactment.
- 9 Local Board of Appeal and Equalization (LBAE) meeting places.** Allows LBAEs to meet at a central location within the county or at the office of the town or city clerk. Current law requires the meetings be held at the office of the clerk. Effective the day following final enactment.
- 10 Certification and training dates LBAEs.** Changes the date by which the LBAEs must provide proof that they have complied with training requirements from December 1 to February 1. Also changes the deadline from December 1 to February 1 for local boards whose powers are transferred to the county to file the required resolutions and proofs of compliance with training requirements to the county assessor in order to have their powers restored. Effective beginning with LBAE meetings held after February 1, 2016.

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- 11 Amortization aid reference.** Corrects an internal reference to a repealed subdivision by providing the appropriate subdivision. Effective retroactively from June 1, 2013, the date that section 423A.02, subd. 1 (the law being amended), became effective.
- 12 Revisor's instruction.** Instructs the Revisor to replace the term "class rate" with the term "classification rate" wherever it appears in statute.

### **Article 11: Department of Revenue – Technical and Policy Income, Sales, and Miscellaneous Tax Provisions**

#### **Overview**

This article makes changes in income, sales, and miscellaneous tax provisions, as recommended by the Department of Revenue (DOR).

- 1 Procedure to request abatement.** Clarifies that taxpayers requesting abatement of penalties may at the same time request abatement of related interest and the additional tax charge. Under current law the commissioner may abate all these items. Effective the day following final enactment.
- 2 Limitations period for assessment.** Extends the time period in which the commissioner may make a personal liability assessment to within one year of a final administrative or judicial determination of the underlying business tax. Current law limits the commissioner to make a personal liability assessment within the prescribed period of limitations for assessing the underlying business tax, or within one year after the date of an order assessing the underlying tax, whichever period expires later, with the result that the personal liability assessment must be made before the final determination of the amount of the underlying business tax. Effective the day following final enactment.
- 3 Withholding tax return due dates.** Changes the due date of the fourth quarter withholding tax return from February 28 to January 31, or to February 10 if all withholding deposits for the quarter have been timely made. This change makes the state fourth quarter withholding tax due date the same as the federal due date. Effective for returns due after January 1, 2016.  
  
Also relieves some seasonal employers from having to file withholding tax returns for periods of anticipated inactivity, unless they pay wages during that period. Effective for wages paid after December 31, 2015.
- 4 Determination of sales factor; corporate apportionment.** Strikes a reference in the sales factor to sales of tangible personal property made within this state that limited it to taxpayers with nexus in Minnesota. Effective the day following final enactment.
- 5 Dyed fuel.** Clarifies that dyed biodiesel and dyed biodiesel blends are included in the definition of dyed fuel. Effective the day following final enactment.
- 6 Special revenue account appropriation.** Provides annual appropriation language for the amounts the commissioner of revenue is authorized to deduct as reimbursement of its indirect costs for administering the collection and remittance of the prepaid wireless E911

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fee and the prepaid wireless telecommunications access Minnesota fee. Effective retroactively from January 1, 2014, the date that the fees took effect.

**7**      **Contribution in aid of construction.** Retroactively amends the effective date for a provision enacted in Laws 2013, chapter 143 that provided that payments to cooperative electric associations or public utilities as a contribution in aid of construction are not retail sales to be the day following final enactment (May 23, 2013), rather than July 1, 2013.

**8**      **Repealer.**

**Florists and nurseries.** Repeals Minnesota Rules 8130.8900, subpart 3, to delete language regarding sourcing of telegraphic orders by florists and nurseries for sales tax purposes that is obsolete since sourcing rules for florists were added to the statutes in 2011. Effective the day following final enactment.

**Aircraft registration.** Repeals Minnesota Rule 8130.9500 in its entirety, as the reporting and registration requirements in the rule are obsolete. Aircrafts are now registered through the Office of Aeronautics, Department of Transportation, by using its aircraft registration application and procedures. Effective the day following final enactment.