HOUSE RESEARCH

Bill Summary

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Authors: Davids

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Analyst: Pat Dalton, 651-296-7434
Joel Michael, joel.michael@house.mn
Nina Manzi, 651-296-5204
Steve Hinze, steve.hinze@house.mn

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Article 1: Individual Income and Corporate Franchise Taxes

Overview

Reduces the individual income tax rates to 4.75%, 6.75%, and 7.85%, phased in from tax year 2012 to tax year 2014.
Increases the research credit from 10 to 12.5 percent of the first $2 million of qualifying research and from 2.5 to 3.7 percent of the excess over $2 million for tax year 2011, and to 5 percent of the excess over $2 million for tax year 2012 and following years.
Allows an on-going deduction for contributions of food inventory by S corporations, partnerships, and sole proprietors under the same rules that apply to C corporations.

Authorizes a new income tax reciprocity benchmark study and directs the commissioner of revenue to enter into negotiations with the Wisconsin secretary of revenue, with the goal of restoring income tax reciprocity between the new states, with payment made from Wisconsin to Minnesota in the same fiscal year in which revenues are foregone. Eliminates the commissioner's authority to terminate a reciprocity agreement with Wisconsin.

1 **Subtractions from taxable income; individuals.** Allows an ongoing deduction for contributions of food inventory by S corporations, partnerships, and sole proprietors following the rules that apply permanently to C corporations under the federal and Minnesota taxes and that apply temporarily (through tax year 2011) to businesses taxed under the federal individual income tax. (Minnesota has typically conformed to this deduction in federal update legislation that extends the temporary federal provision. This section would permanently establish these rules without regard to whether they are in effect for federal purposes or not. Double deduction would not be allowed in any years in which Minnesota conforms to the federal rules as part of update legislation.)

Background. Under the general charitable contribution rules, a business contributing inventory is limited to deducting an amount equal to its basis in the inventory (i.e., the costs it has incurred in creating the inventory), or the fair market value, whichever is less. Special rules apply to food inventory that allow a C corporation to deduct a larger amount than its basis. Under this bill, S corporations, partnerships, and sole proprietors would be allowed the same deduction for contributions of food inventory that is available to C corporations. The business would be allowed to deduct the lesser of the following for food inventory (contributed to a nonprofit that distributes or uses the food as part of its charitable mission):

1. Basis plus one-half of the appreciation (fair market value less basis)
2. Two times basis

This deduction is limited to ten percent of the taxpayer's net income from all S corporations, partnerships, and sole proprietorships. The special deduction only applies to "apparently wholesome food"-that is (as defined in federal law), food intended for human consumption that meets all quality and labeling standards imposed by federal, state, and local laws and regulations, even though the food may not be marketable due to appearance, age, freshness, grade, size, surplus or other conditions.

2 **Individual income tax rates.** Decreases the lower and middle individual income tax rates from their current law levels of 5.35%, and 7.05% to 4.75% and 6.75%, phased in over three years. Does not change the 7.85% rate.

- Tax year 2011: no change (5.35% and 7.05%)
- Tax year 2012: 5.25% and 6.85%
- Tax year 2013: 5.15% and 6.85%
- Tax year 2014 and following years: 4.75% and 6.75%

Under current law, the lower and middle rates apply to the taxable income ranges shown in the table for tax year 2011.

	5.35% rate	7.05% rate
Married filing joint	First $33,770	$33,771 to $134,170
Married filing separate	First $16,880	$16,881 to $67,080
Single	First $23,100	$23,101 to $75,890
Head of household	First $28,440	$28,441 to $114,290

The income tax brackets are adjusted annually for inflation; the amounts that appear in the statute are the brackets as they were in 2000, the last time a rate change was enacted.

3 **Research credit.** Increases each of the rates of the research credit by 2.5 percentage points. Under present law, the research credit equals ten percent of the first $2 million of qualifying research and 2.5 percent of the excess over $2 million. This section would increase the percentages to 12.5 percent and 3.7 percent for tax year 2011, and to 12.5 percent and five percent for tax year 2012 and following years.

Background. The research credit is a refundable credit that applies against both the corporate franchise tax and individual income tax for flow-through tax entities (S corporations and partnerships). The credit is based on "qualified research," which is the firm's expenditures on research in the current taxable year minus a base amount. This base amount is based on the research expenditures by the entity during a three-year period (from 1984-1988) as a percentage of its gross receipts, but not to exceed 16 percent. Startup firms have a fixed-base percentage of three percent. (These computations are taken from federal law.) Qualifying research expenditures are largely expenditures on employee compensation (not equipment) for employees, conducting the research. The credit is limited to research conducted in Minnesota and the gross receipts used to determine the base amount are Minnesota gross receipts.

4 **Income tax reciprocity.**

Subd. 1. Agreements with other states. Eliminates the commissioner's authority to terminate a reciprocity agreement with Wisconsin, and specifies that any reciprocity agreement with Wisconsin must require estimated payments of net revenue loss to be made from Wisconsin to Minnesota in the same fiscal year in which the loss occurred with a final payment with interest made in the next fiscal year. This would largely eliminate the payment time lag in effect for the reciprocity agreement with Wisconsin that was terminated following tax year 2009.

Subd. 2. New reciprocity agreement with Wisconsin. Directs the commissioner to initiate negotiations with Wisconsin, with the objective of entering into a new reciprocity agreement that would be effective for tax year 2012. Provides that the commissioner may not enter into a new agreement with Wisconsin until Wisconsin has paid any amounts due, with interest, under the terms of the agreement in effect before tax year 2010.

Effective date: Subdivision 2 is effective following final enactment, and subdivision 1 is effective when a new agreement with Wisconsin is reached.

5 **Alternative minimum tax; individuals.** Provides a subtraction from alternative minimum taxable income for amounts deducted under the deduction for food inventory provided in section 2.

6 **Income tax reciprocity benchmark study.** Directs the Department of Revenue to work with the Wisconsin Department of Revenue to conduct an income tax reciprocity benchmark study. The study would use information from Minnesota and Wisconsin 2011 income tax returns of individuals who are residents of one state and have earnings in the other state. Requires the study to include:

- The number of residents of each state with earnings in the other state;
- The income earned by residents of one state who work in the other state;
- The change in tax revenue in each state if a reciprocity agreement were implemented under which taxpayers were required to pay income tax only in their state of residence.

Requires the report to be submitted to the legislature by March 1, 2013.

Article 2: Sales and Use Taxes

Overview

Converts the capital equipment exemption from a refund program to an exemption at the time of sale, effective in fiscal year 2014.

Eliminates all early sales tax payments except for the June accelerated payments and returns to the law as it existed before the change enacted during the 2010 session.

Brings the state into compliance with the Streamlined Sales and Use Tax Agreement (SSUTA) by:

- Codifying transitional language regarding rate changes on taxable services;
- Modifying the sourcing for "other" direct mail to match changes in sourcing requirements; and
- Removing "ring tones" from the definition of taxable telecommunication services.

Expands the sales tax exemption for certain goods and services to local governments to include water used directly for public safety purposes.

1 **Sales and use tax.** Eliminates the accelerated remittance schedules for vendors with annual sales tax collections of at least $120,000 for all months except for June payments. Effective for all payments due after July 1, 2011.

2 **Ring tones.** Exempts the purchase of ring tones from sales and use tax by striking "ring tones" from the list of taxable telecommunication services. This change brings Minnesota into compliance with the SSUTA definition of taxable telecommunication services.

3 **Transitional period for services; sales tax.** States that a sales tax rate increase is effective beginning with the first billing period for taxable services starting after the date of the rate change. For a rate decrease, the new rate will apply to bills mailed on or after the date of the rate change. This is current administrative practice.

4 **Transitional period for services; use tax.** Adds the same language in section 3 to the complementary use tax provisions.

5 **Advertising and promotional material.** Defines advertising and promotional direct mail and continues to apply the current sourcing rules. Removes obsolete references to direct pay permits, since these are now one type of exemption certificate rather than a separate permit.

6 **Other direct mail.** Defines "other direct mail" and simplifies the sourcing rules for this item. Under current law, if the purchaser does not provide an exemption certificate or direct pay permit, the seller must source the mail based on each mailing address. This will allow the mail to be sourced to the address of the purchaser instead. Also removes obsolete references to direct pay permits, since these are now one type of exemption certificate rather than a separate permit.

7 **Capital equipment.** Removes the requirement that the sales tax be paid when the equipment is purchased and then refunded. Effective for sales and purchases made after June 30, 2013.

8 **Sales to local governments.** Expands the sales tax exemption for certain goods and services to local governments to include water used directly in providing fire protection by a fire department, fire protection district, or fire company providing services to the state or a political subdivision. The exemption is retroactive to June 30, 2007; however, no refunds will be made for taxes paid before January 30, 2010.

9 **Refund; appropriation.** Removes the sales tax refund provisions that apply to capital equipment refunds, which will become unnecessary when the exemption for purchase of capital equipment at time of sale takes effect. Effective for sales and purchases made after June 30, 2014.

10 **Budget adjustment.** Permanently reduces the Department of Revenue annual budget by $140,000 beginning in FY 2015, to reflect that the department will no longer need to process capital equipment refunds.

11 **Repealer.** Repeals the penalty and safe harbor provisions related to the early remittance schedules eliminated in section 1.

Article 3: Economic Development

Overview

This article provides:

- A new Minnesota Science and Technology Program for the purpose of encouraging technology start-up businesses, funded with an ongoing appropriation of $3 million in the FY 2012-2013 biennium, and $3.5 million per year in following fiscal years. Of the appropriation for 2012-13, moneys are re-directed to other economic development purposes in section 15.
- TIF rules permitting the special pooling allocation for low-income housing to be used for market-rate housing, if the housing has been vacant for six months, is blighted, or is in foreclosure.
- A 10-year duration extension for a TIF district in the city of Lino Lakes.
- A series of corrections and modifications to the 2010 special TIF law enacted for the city of Ramsey.
- $100,000 of state funding for a border city development program in the city of Taylor Falls.

1 **Citation.** Names the law proposed in sections 2 through 10 the "Minnesota Science and Technology Program."

2 **Definitions.** Defines the following terms for purposes of the program:

Authority is the Minnesota Science and Technology Authority, an existing state entity that is established in Minnesota Statutes, section 116W.03.

College or university is a private or public postsecondary education institution that grants academic degrees and conducts research and development in science and technology.

Commercialization includes all of the activities involved with developing, producing, and selling a new product, ranging from doing the basic research at the "conceptual stage" through selling the product.

Commercialized research project is research conducted in a college or university or at a nonprofit research institution or by a qualified science and technology company that has shown advanced commercial potential in the form of licenses, patents, or similar and for which a qualified science and technology company is being or has been formed.

Fund is the Minnesota science and technology fund created under section 3.

Nonprofit research institution is a 501(c)(3) organization with its principal place of business in Minnesota that conducts significant research and development activities in Minnesota.

Qualified science and technology company is a business with fewer than 100 employees engaged in research, development, or production of science or technology in Minnesota.

3 **Minnesota Science and Technology Fund.** Establishes the Minnesota Science and Technology Fund as a special revenue fund in the state treasury. Payments from the fund may only be made at the request of the Authority.

A standing appropriation from the general fund is made to the Minnesota Science and Technology Fund of $1.5 million per year in fiscal years 2012 and 2013, and $3.5 million per year in following fiscal years. The appropriation would end with the expiration of the Minnesota Science and Technology Authority as provided in section 10.

4 **Authorized uses of the fund.** Authorizes the fund to be used for:

- The commercialized research program under section 5
- The federal research and development support program under section 6
- The industry innovation and competitiveness program under section 7
- Carrying out the powers of the authority to award grants and loans under section 8

5 **Commercialized research program.** Authorizes the authority to establish a commercialized research program to encourage the creation of science and technology jobs. This program can provide grants of up to $250,000 per project for:

- Research projects to assist in the commercialization of science and technology, developed by a college, university, or nonprofit organization and transferred to a qualified science and technology company
- Projects developed directly by a qualified science and technology company

This program is subject to the following limits:

- The authority must establish written criteria for award and use of the grants
- The recipient (college, university, nonprofit organization, or private company) must provide matching funds
- Recipients must report to the authority on the uses and outcomes of the grant within one year

6 **Federal research and development support program.** Authorizes the authority to establish a federal research and development support program to increase and coordinate efforts to obtain federal funding for research of primary benefit to qualified science and technology companies, colleges and universities, and nonprofit research organizations.

Specifically, this program is to:

- Identify potential federal funding sources

- Make grants to qualified science and technology companies
- Help develop federal Small Business Innovation (SBIR) or Small Business Technology Transfer (STTR) proposals
- Match SBIR and STTR awards (subject to an annual $1.5 million funding limit)

7 **Industry innovation and competitiveness program.** Authorizes the authority to create an industry technology and competitiveness program to:

- Provide matching funds to help startup of qualified science and technology companies
- Fund efforts to retain engineering, science, and technical jobs in Minnesota
- Fund science and technology industry growth clusters

This program is subject to the following limits:

- The authority must establish written criteria for the award and use of the grants
- The recipient (college, university, nonprofit organization, or private company) must provide matching funds
- Only 15 percent of the grants may be used for overhead
- Recipients must report to the authority on the uses and outcomes of the grant within one year

8 **Minnesota science and technology authority; powers.** Provides that the authority has all of the powers necessary to carry out its purposes, including the power to make grants and loans and to pay for reasonable administrative expenses, including staff and professional fees. Administrative costs are limited to five percent of the first $5,000,000 in the fund and two percent of any balance in excess of $5,000,000.

In making grants, the authority is directed to give priority to qualified science and technology businesses that have "demonstrable economic benefits to the state" by creating jobs, attracting federal money, or creating new businesses.

In making grants to colleges, universities, and nonprofit research organizations, the authority is to give priority to proposals that:

- Promote collaboration with private businesses;
- Attract new research entities, talent, or resources to Minnesota; or
- Attract significant researchers and resources from outside of Minnesota.

Interest charged on the loans and other revenues from the fund's transactions, including required repayments, go back to the corpus of the fund.

9 **Repayment.** Requires the recipient of an award, grant, loan, or other financial assistance to repay all or part of it, if the recipient moves out of Minnesota or ceases operation in the state within three years after it received the grant. If the relocation or closing occurs within two years of receipt, the entire amount must be repaid. Relocations or cessation of operation that occur after two years and before three years require repayment of 75 percent of the amount.

10 **Expiration.** Provides the law expires when the Minnesota Science and Technology Authority expires by law (June 20, 2018). Any unused money in the fund at that point would be returned to the general fund.

11 **Pooling rules; market rate housing.** Modifies the special pooling rules for housing projects. Under present law, an additional 10 percent of increment from a district may be used outside of the area of the district from which it was collected (that is, it may be "pooled" with other moneys to pay development costs) for low-income housing. This bill expands the use of that 10 percent of increment to include purposes taken from the special laws authorizes housing replacement districts for a number cities.

This would allow use for owner-occupied housing with a value up to 150 percent of the average market value of housing in the city, but not to exceed:

- $200,000 in the seven-county metropolitan area; or
- $125,000 elsewhere in the state.

The money could be used to acquire the houses, demolish or relocate them, rehab them, do site preparation, or pollution cleanup. To qualify, the sites or housing must meet one of the following conditions:

- Be a 1- to 4-unit dwelling that has been vacant for at least six months
- Be a 1- to 4-unit dwelling that is structurally substandard
- Be in foreclosure
- Consist of vacant land, if the parcel would be used to develop or redevelop housing meeting one of the other three conditions.

This authority is sunset on December 31, 2016, but can be used to continue paying outstanding bonds.

Effective date: Applies to all TIF districts subject to the pooling rules.

12 Ramsey; TIF. Modifies the 2010 special TIF law enacted for the city of Ramsey. It corrects the boundary description in the 2010 law to add an eastern boundary for the district. In addition, it expands the exemptions from general law TIF rules that apply to this district:

- The requirement that 90 percent of redevelopment district increments be spent to correct blight would not apply. The 2010 law provided exceptions from this requirement for various expenditures (e.g., the transit station and related infrastructure), while this provision provides a complete exemption.
- Increments are specifically authorized to be used for costs incurred prior to establishing the TIF district for: (1) land that the city or its housing and redevelopment authority acquired and (2) public improvements installed in the district.
- The 4-year knock-down rule is extended from 4 years to 6 years. This rule requires some type of development activity to occur on or adjacent to each parcel within four years of certification of the district, if the parcel is to remain in the district. Once development occurs, parcels are reinstated in the district, but with the current value used to compute the original tax capacity.

Effective date: Local approval by city.

13 Lino Lakes; TIF. Authorizes the City of Lino Lakes to collect increments from its TIF district No. 1-10 through December 31, 2023. District No. 1-10 is an economic development TIF district, which otherwise would be required to be decertified at the end of 2013, so this is a 10-year extension.

If the city elects to use this authority, it would be required to use increments collected from the district after 2/1/2011 only to pay debt service on bonds issued to finance:

- The county road 23 interchange with I-35W; and
- The Legacy at Woods Edge development.

These expenditures would not be subject to the general law restrictions on pooling, including the 5-

year rule, and limits on the type of purposes for which economic development district increments may be spent.

Effective date: Upon local approval by city, county, and school district.

14 **Taylors Falls; border city development zone.** Allows the City of Taylors Falls to designate all or any part of the city as a border city development zone. The bill allocates $100,000 to the city to provide state tax benefits under the zone. This dollar limit does not apply if the commissioner of revenue waives the limit under the general law rules.

The general law rules for border city development zones apply to these zones. This law allows businesses locating or expanding in designated zones to qualify for property tax exemptions, corporate franchise tax credits, and sales tax exemptions. Cities with these powers also can extend some of these benefits to businesses located within their cities, but outside a development zone. To receive these tax reductions, a business must apply to the city in which it is located. Under present law, the cities of Breckenridge, Dilworth, East Grand Forks, Luverne, Moorhead, and Ortonville have border city development zone powers. (Luverne received one-time funding in 2001; the other cities have received biennial funding since designation of the zones in 1998 through the 2007-2008 biennium. No city received border city financing in the 2010-2011 biennium.)

Effective date: Day following final enactment.

15 **Appropriation.** Redirects the $3 million appropriation in section 3 to the Minnesota Science and Technology Fund to a variety of other purposes as follows:

Purpose	**FY 2012**	**FY 2013**
Enterprise Minnesota, Inc. for the small business growth acceleration program	$200,000	
BioBusiness Alliance of Minnesota for business development programs		$475,000
Minnesota Inventors		50,000
Science and Technology Authority for administrative expenses (This amount is in addition to the $150,000 permitted in sections 3 and 8 in FY 2012-2013).		107,000

Article 4: Local Taxes

Overview

Prohibits local governments, for the next two years, from holding a referendum for a new local sales tax; the prohibition does not apply to new taxes authorized before May 24, 2011. Also prohibits local government spending to promote any local sales tax referendum; this applies to both new and existing local taxes, regardless of when they are authorized.

Authorizes an aggregate materials tax in Glenwood township.

Modifies the authorized uses for sales tax revenues for the existing taxes in the city of Clearwater and in Hennepin County for the ballpark.

Allows an increase in the sales tax rate in the city of Hermantown.

Extends the existing tax and increases the projects funded by the existing Rochester sales tax.

Authorizes new local sales taxes for the cities of:

- Cloquet
- Fergus Falls
- Hutchinson
- Lanesboro
- Marshall
- Medford

Requires a study of the use of zip codes in collecting local sales taxes.

1 Prohibition on promoting local sales taxes. Prohibits a political subdivision from holding a referendum to impose a local sales tax unless it is for an existing tax or for a tax authorized by special law prior to May 24, 2011-the end of the 2011 legislative session. The new limit would be effective for another two years, until May 31, 2013.

Also prohibits a local government from spending money on a local sales tax referendum, other than the amount needed to conduct the vote. No local government money maybe used to support passage of the referendum. Effective the day after final enactment and applies to all sales tax referenda, including those contained in this article.

2 Aggregate materials tax; Glenwood Township. Provides that if Pope County does not impose the aggregate materials (gravel) tax, authorized by statute, the Glenwood Township may impose the tax in the township instead. The proceeds of the tax would be used for the same purpose as the county tax: 85 percent for roads and bridges and 15 percent for pit and quarry restoration or other conservation or environmental needs. The township tax would be repealed if Pope County started to impose a gravel tax.

3 Repeal annual escalator; Hennepin county ballpark tax. Reduces the 1.5 percent escalator that applies to the $4 million limit on permitted expenditures of baseball park sales tax revenues for extended Hennepin County library hours and youth activities and sports to 0.75 percent. The payment for youth activities and sports is limited to $2 million, so all growth must be used for libraries.

4 Limit on deposits to reserve fund; Hennepin county ballpark tax. Imposes a $20 million limit on the amount of reserves that may be maintained for the baseball park and prohibits maintaining a reserve for the purpose of making library and youth activity and sports grants. When the cap on the amount of the reserve fund is reached, this will compel additional revenues from the sales tax to be used to redeem or defease bonds, the only other permitted purposes for these sales tax revenues.

5 City of Hermantown; sales tax. Authorizes the city of Hermantown to increase the local sales tax rate from the current 1/2 percent rate to the originally authorized one percent rate if approved by the voters at a general election held by the end of calendar year 2012.

6 **City of Rochester; use of sales tax revenues.** Allows the city to use its local sales tax revenues to fund the following additional projects:

- $47 million for transportation infrastructure improvements (highways and airport), but prohibits any money to be used to fund a railroad bypass that would affect rail traffic in the city of Rochester;
- $26.5 million for higher education facilities;
- $8 million for construction of regional public safety facilities; and
- $20 million for the Destination Medical Community initiative.

7 **City of Rochester; bonding authority.** Allows the city to hold the election to issue bonds for the projects in section 6 at the same time they hold the election for the extension of the local sales tax. The amount of the bonds is limited to $101.5 million plus associated bond costs.

8 **City of Rochester; termination of sales taxes.** Allows the city to extend the current tax beyond the date necessary to raise sufficient funds for current authorized projects. The tax is extended to December 31, 2012. If the tax extension is approved by the voters, the tax is extended until sufficient revenues are raised to fund the additional $101.5 million in projects plus associated bond costs.

9 **City of Clearwater; sales tax.** Expands the authorized uses of the Clearwater sales tax to include improvements to regional parks, bicycle trails, park land, open space, and walkways included in the city improvement plan adopted in December 2006. This includes all the projects included in the city's original 2008 request but ties the projects to a particular planning document.

10 **City of Cloquet; sales and use tax authorized.** Allows the city to impose a local sales tax of up to 1/2 of one percent, subject to approval at a general election. The imposition and administration of the tax is subject to the provisions in Minnesota Statutes, section 297A.99.

The city may also impose a flat $20/vehicle tax on motor vehicles sold by dealers located in the city. Revenues from the taxes must be used to pay the costs of administration and to pay for the following projects:

- $4.5 million for the following park improvements: the Veteran's Park, a soccer complex, baseball complex, hockey arena, recreation center, and pedestrian trails throughout the city;
- $5.8 million for extension of utilities and other improvements related to property development adjacent to Highway 33 and Interstate 35; and
- $6.2 million for engineering and construction of infrastructure improvements identified in the city's comprehensive land use plan.

The city may issue up to $16.5 million in bonds for the projects listed based on the voter approval of the sales tax imposition. No separate vote is required for issuing the bonds and the bonds are not included in any debt or levy limit on the city.

The taxes expire at the earlier of (1) 30 years or (2) when the revenues collected are sufficient to pay for the projects and retire any associated bonds and bond costs. Because of the timing requirements for termination, any excess revenues will be deposited in the city general fund. The city may choose to end the taxes at an earlier date.

11 **City of Fergus Falls; sales and use tax authorized.** Allows the city to impose a local sales tax of one-half of one percent to finance a regional ice arena, as approved by their voters at the 2010 general election. The imposition and administration of the tax is subject to the provisions on Minnesota Statutes, section 297A.99, including the requirement for approval by the voters at a general election.

The city may use up to $6.6 million in revenues from the taxes to pay the costs of administration and to pay for the acquisition and betterment of a regional ice center facility, including associated bond costs. Allowed costs include furnishing and equipment costs as well as acquisition, design, and construction costs, and associated bond costs.

The tax expires when the revenues collected are sufficient to pay for the project and retire any associated bonds and bond costs. Because of the timing requirements for termination; any excess revenues will be deposited in the city general fund. The city may choose to end the taxes at an earlier date.

12 **City of Hutchinson, sales tax authorized.** Allows the city to impose a local sales tax of one-half of one percent to pay for its wastewater treatment facility, as approved by their voters at the 2010 general election. Allows the city to impose a complementary flat $20/vehicle tax on motor vehicles sold by dealers located in the city.

Revenues from the taxes must be used to pay the costs of administration and to pay for the construction and renovation of the city's wastewater treatment facility, including construction, engineering, and associated bond costs. The taxes end at the earlier of (1) 18 years, or (2) when revenues raised are sufficient to pay for the project, including all associated bond costs. Because of the timing requirements for termination; any excess revenues will be deposited in the city general fund. The city may choose to end the taxes at an earlier date.

13 **City of Lanesboro; sales and use tax.** Allows the city to impose a 1/2 of one percent sales tax in the city of Lanesboro, as approved by the voters at the 2010 general election, for the indicated projects.

Revenues from the taxes must be used to pay the costs of administration and to pay for the following projects:

- street and utility improvements along a number of specified streets,
- street lighting on State Highways 250 and 16;
- wastewater treatment facility improvements;
- utility improvements to the Lanesboro High Hazard Dam; and
- improvements to the community center, library, and city hall.

Total improvements under this section are limited to $800,000 and associated bond costs.

Allows the city to issue up to $800,000 in bonds for the projects listed in subdivision 3, based on the voter approval of the sales tax imposition and the bonds are not included in any debt or levy limit on the city. The taxes end when revenues raised are sufficient to pay for the projects, including all associated bond costs. Because of the timing requirements for termination; any excess revenues will be deposited in the city general fund. The city may choose to end the taxes at an earlier date.

14 **City of Marshall; sales and use tax.** Allows the city to impose a 1/2 of one percent sales tax in the city of Marshall for the indicated projects if approved by voters at a general election held in the next two years. The city is required to present separate ballot questions must be presented for the two authorized projects which are:

- new and existing facilities of the Minnesota Emergency Response and Industry Training Center and
- new facilities of the Southwest Minnesota Regional Amateur Sports Center.

Allows the city to issue up to $17.29 million in bonds for the projects listed in subdivision 3, based on the voter approval of the sales tax imposition and the bonds are not included in any debt or levy limit on the city. The local sales tax ends at the earlier of (1) 15 years, or (2) when revenues raised are sufficient to pay for the projects, including all associated bond costs. Because of the timing requirements for termination; any excess revenues will be deposited in the city general fund. The city may choose to end the taxes at an earlier date.

15 **City of Medford; sales and use tax.** Allows the city to impose a 1/2 of one percent sales tax in the city of Medford to repay Minnesota Public Facility Authority Loans, if approved by the voters at a general election. The loans were used to finance $4.2 million of improvements to the city's water and wastewater systems. The local sales tax ends at the earlier of (1) 20 years, or (2) when revenues raised are sufficient to repay the loans, including interest. Because of the timing requirements for termination; any excess revenues will be deposited in the city general fund. The city may choose to end the taxes at an earlier date.

16 Study; use of zip codes in collecting local sales tax. Requires the Department of Revenue to report by March 1, 2012, to the legislative committees with jurisdiction over local sales taxes on the use of zip codes in collecting the existing local sales taxes. The report must include:

- The current status of the Department's efforts to develop a system to calculate local sales taxes based on a street address plus the five-digit zip code for all zip codes that are shared by a local government with a local sales tax authority and an adjacent local government; including a timeline for finishing this work;
- Business compliance with the current law requiring them to impose the tax on the lowest combined rate in a zip code that crosses jurisdictions when the actual tax cannot be determined;
- The accuracy of current local sales tax revenue allocations when contiguous jurisdictions have separate local sales taxes but share a zip code; and
- Recommendations for administrative and statutory changes needed to improve the accurate collection and allocation of local sales taxes collected in this state.

Article 5: Property Taxes

Overview

Expands the market value valuation exclusion for disabled veterans to a family caregiver under certain circumstances; also extends the benefit to surviving spouses from two years to five years, and allows surviving spouses of service persons killed in action to qualify for the benefit for five years.
Reduces the state general property tax levy on commercial-industrial property, effective for taxes payable in 2012.
Eliminates independent levy authority for regional rail authorities, providing instead that all levies for regional rail authorities be made within the county's general levy, and subject to the county's levy limit, if any.
Extends the existing levy limits for large cities and for counties, which expire after the current year, for another two years.
Provides more generous late property tax payment penalties for non-homestead property classes.
Provides that the notice of property valuation must contain a specific notification when a property's classification has changed from one year to the next.
Provides a property tax exemption for attached machinery of an electric generation facility proposed to be built in the city of Fairmont.
Provides a reduced property tax classification (4c) for certain seasonal inns, located near a state trail.

Provides a two year suspension of certain county and city maintenance of effort (MOE) requirements.

1 **Referendum market value.** Technical change in the definition of referendum market value to accommodate cleanup of class 4c language in section 4.

2 **Electric generation facility; personal property.** Provides an exemption for attached machinery of an electric generation facility proposed to be built in the city of Fairmont. The facility must be designed for between 20 and 30 megawatts of power, run on natural gas, and be operated by a municipal power agency, among other requirements. Construction would be required to commence after December 31, 2011, and before January 1, 2015.

3 **Valuation notice.** Provides that the notice of property valuation sent out each spring must contain a specific notification when a property's classification has changed from what it was in the previous year. Also deletes a number of obsolete provisions in the valuation statement requirements.

Effective for assessment year 2012, taxes payable in 2013, and thereafter.

4 **Class 4.** Provides a reduced property tax classification (4c) for commercial properties consisting of not more than 20 residential units that are used for less than 250 days a year, and that are located in a city or town with a population under 2,500 located outside the metropolitan area, provided that a state trail passes through the city or town. 4c classification provides for a class rate of 1.5 percent, and provides that the property pays the state seasonal recreational tax rate rather than the state commercial-industrial tax rate.

Also makes a number of technical changes to eliminate redundancies and generally clean-up that section of statutes.

5 **Homestead of disabled veteran or family caregiver.** Expands eligibility for the market value exclusion for disabled veterans in the following ways:

- The surviving spouse of a disabled veteran is allowed to continue to receive the benefit for five full years after a disabled veteran's death (under current law the surviving spouse continues to receive the benefit for two full years).

- The surviving spouse of a service member who dies of service-connected causes while serving honorably in active military service is allowed to receive the exclusion for the same five-year period as the surviving spouse of a disabled veteran that dies.
- A disabled veteran's *primary family caregiver*, if one exists, is allowed to receive the market value exclusion if the veteran has no homestead of her or his own (Congress recently enacted the "*Caregivers and Veterans Omnibus Health Services Act of 2010*," establishing a program of assistance to the approved family caregiver of a service member who is being medically discharged from the military, or a veteran, having a serious injury incurred or aggravated in the line of duty since 9/11/2001, if the VA determines that it is in the best interest of the veteran to do so).

The section also provides that the market value exclusion terminates in the year after a surviving spouse remarries.

6 **State property tax.** Reduces the state general tax levy for commercial-industrial property by $32.1 million per year, effective for taxes payable in 2012 and thereafter. Leaves the general levy amount for seasonal-recreational property at the current law level of $40.6 million for taxes payable in 2012. Both components of the state general levy would continue to increase each year by the implicit price deflator as in current law.

7 **Seasonal residential recreational tax capacity.** Makes technical change in state general levy statute related to technical changes in section 4.

8 **Apportionment of state property tax.** Strikes language apportioning the state general levy 95 percent to commercial-industrial property and 5 percent to seasonal recreational property, consistent with the reduction in the commercial-industrial portion of the levy in section 6. Instead the levy on each type of property will increase from the new base amounts set for taxes payable in 2012.

9 **Special taxing districts; definitions.** Removes regional rail authorities from the statute that lists special taxing districts, consistent with the changes in sections 17 and 18.

10 **Special levies.** Eliminates the special levy for market value credit reimbursement reductions beginning with taxes levied in 2012, payable in 2013, to reflect the elimination of that program in other sections of the bill.

11 **Levy limit base.** With sections 12 and 13, extends the current levy limits for another two years - for taxes levied in 2011 and 2012, payable in 2012 and 2013.

12 **Adjusted levy limit base.** With sections 11 and 13, extends the current levy limits for another two years - for taxes levied in 2011 and 2012, payable in 2012 and 2013.

13 **Property tax levy limit.** With sections 11 and 12, extends the current levy limits for another two years - for taxes levied in 2011 and 2012, payable in 2012 and 2013.

14 **Maintenance of effort requirements.** Provides a suspension of maintenance of effort (MOE) requirements on counties for calendar years 2012 and 2013 provided that the suspension of an MOE does not require the state to spend additional money, or cause the state or county to lose federal funds. Also exempts cities from the library MOE requirement for 2012 and 2013. Requires the commissioner of management and budget to post a list of all MOEs that will be suspended under this provision.

15 **Property tax late payment penalties.** Makes two changes in the late payment penalties under the property tax:

- Provides that all classes of property would be subject to the more lenient penalty schedule that now applies to homestead and seasonal-recreational properties only.

- Provides that the additional 4-percent penalty that applies to the second half payment (due October 15th) on November 1st would be reduced to 2 percent.

16 **Taxation-regional rail authorities.** Provides that levies on behalf of a regional rail authority must be levied by the county board within the county's levy limit, if any. If the authority consists of more than one county, the levy must be apportioned between the member counties as provided by the joint resolution organizing the authority. Also eliminates the reverse referendum for regional rail authority levies, since the levies would just become part of the county's levy.

17 **Regional rail authorities-security.** Specifies that for purposes of debt levies the county makes the levy on behalf of the regional rail authority. Specifies that only the county may pledge its faith and credit or taxing power for payment of a rail authority's bonds. Requires the county to levy for any bonds issued by the regional rail authority prior to June 1, 2011, to which the authority's levy was pledged.

18 **Repealer.** Repeals late property tax payment penalties for seasonal recreational property that is superseded by the general penalty changes in section 15.

Article 6: Aids, Credits, and Refunds

Overview

Reduces LGA payments to cities over the next several years. Aid payments to first class cities are reduced and permanently eliminated over a four year period. Aid payments to all other cities remain at certified amounts for pay 2011, and are reduced to the lesser of certified 2011 aid or paid 2010 aid for payable 2012. The total appropriation is frozen at the 2012 level for future years with the distribution of the aid determined by the existing formula beginning in 2013.

Provides for a reduction in county program aid and city and county market value credit amounts for 2011; under all programs, payments are limited to the amount received in 2010, after reductions, or the amount certified for 2011, whichever is less.

Provides for a permanent reduction in county program aid of $36 million per year in 2012 and thereafter.

Converts the market value homestead credit from a state-paid credit to a tax capacity reduction, effective for taxes payable in 2012 and thereafter.

Permanently reduces payments in lieu of tax (PILT) payments per acre on natural resource lands to 85 percent of the allowed per acre payments in calendar year 2011.

Reduces the percent of rent constituting property taxes for renter property tax refund claims from 19 percent to 12 percent, effective for claims based on rent paid in 2010 and following years.

Repeals the political contribution refund.

Establishes a program of cooperation, consolidation, and service innovation grants to local governments proposing to work cooperatively, administered by the Department of Administration.

Provides for a permanent 50 percent reduction in each unique taxing area's disparity reduction aid.

Repeals the Sustainable Forest Incentive Act (SFIA) program, effective July 1, 2011.

1 **Applicability; amount.** Reduces the per acre PILT payments for public hunting land to 85 percent of current levels. Currently most of these lands receive payments based on 0.75 percent of assessed value. This is reduced to 0.6375 percent. Effective beginning with aids payable in 2011.

2 **Goose management croplands.** Reduces the PILT payment on goose management croplands from 100 percent of the taxes assessed on comparable privately owned adjacent land to 85 percent of the taxes on comparable land. Effective beginning with aids payable in 2011.

3 **Political contribution refund.** Strikes a reference to the political contribution refund, which is repealed in section 32.

4 **Tax capacity.** Specifies that for residential homesteads and for the house, garage and one acre portion of agricultural homesteads, the tax capacity is to be computed as the property's market value times the class rate, minus the amount now computed as the market value homestead credit. (Note that this section also deletes some obsolete language.)

5 **Residential homestead market value tax capacity reduction.** Changes the homestead market value credit from a credit to a reduction in each homestead's tax capacity.

6 **Credit reimbursements.** Provides that the agricultural market value credit will continue to be a state-paid credit, but the homestead market value credit will no longer be a state-paid credit.

7 **Payment.** Provides that the agricultural market value credit will continue to be a state-paid credit, but the homestead market value credit will no longer be a state-paid credit.

8 **Computation of net property taxes.** Eliminates the market value homestead credit from the list of credits to be subtracted in going from a property's gross tax to its net tax.

9 **Disparity reduction aid.** Provides for a permanent reduction in certified disparity reduction aid in each unique taxing jurisdiction equal to 50 percent of the amount certified for taxes payable in 2011. Also deletes the procedure providing for recalculating disparity reduction aid amounts when there is a class rate reduction. Effective for taxes payable in 2012 and thereafter.

10 **Computation of tax capacity.** Provides that each property's tax capacity will be determined as prescribed in section 4. Also deletes obsolete language.

11 **Additional adjustment.** Increases the tax rate limit for disparity reduction aid from 90 percent to 105 percent. Under this change, disparity reduction aid would not reduce a unique taxing area's tax rate below 105 percent of tax capacity.

12 **Content of tax statements.** Eliminates the market value homestead credit from the list of credit subtractions on the tax statement.

13 **Political contribution refund; conforming changes.** Eliminates a reference to the political contribution refund, which is repealed in section 32.

14 **Political contribution refund; conforming changes.** Strikes a definition of the term "taxpayer" that is used in determination of the political contribution refund, which is repealed in section 32.

15 **Renter property tax refund; rent constituting property taxes.** Reduces the percent of rent constituting property taxes used in calculating the property tax refund for renters from 19 percent to 12 percent. Effective for refund claims filed in 2011and thereafter based on rent paid in 2010 and thereafter.

Background. The percent of rent constituting property taxes was reduced from 19 percent to 15 percent for 2010 refunds based on rent paid in 2009 only under the June 2009 unallotment. This reduction was subsequently enacted into law in Laws 2010, 1st Special Session chapter 1.

16 **Renter property tax refund; manufactured homes.** Reduces the percent of rent constituting property taxes for rent paid on the site on which a manufactured home or park trailer taxed as a

manufactured home is located from 19 percent to 12 percent. Effective for refund claims based on rent paid in 2010 and following years.

17 **Alternative process for consolidation.** Allows an alternative way for counties to begin the process for consolidation by filing a unanimous resolution from each county board with the secretary of state. Currently they need to have a petition signed by 25 percent of the voters in the last general election from each county in order to start the process.

18 **First class city.** Defined based on 2008 population. Includes Minneapolis, St. Paul, and Duluth.

19 **Aid payments in 2011 and 2012 (counties).** Limits the total county program aid (CPA) paid to each county in 2011 and 2012 to the lesser of its paid CPA in 2010, after reductions, or the amount it was certified to receive in Pay 2011. Total CPA payments in 2011 and 2012 are reduced from $197 million to $161 million.

20 **City formula aid.** Finishes the phaseout of LGA to first class cities begun in section 22. Those cities get 25 percent of their base aid in Pay 2013 and zero in Pay 2014 and thereafter.

21 **City aid distribution.** Clarifies the starting point for calculating maximum aid increases and decreases to aid payments in Pay 2013 and later. States that the limits on increases and decreases do not apply to the aid changes to first class cities.

22 **Aid payments in 2011 and 2012.** Sets the aid payments to different types of cities in each year. Defines "base aid" to be the lesser of (1) paid 2010 LGA or (2) certified 2011 LGA for each city. The aid paid to each type of city is as follows:

In Pay 2011:

- First class cities as of 2008 would receive 75% of the base aid
- Remaining cities would receive their certified 2011 LGA

In Pay 2012:

- First class cities as of 2008 would receive 50% of the base aid
- Remaining cities would receive 100% of base aid

23 **Appropriation.** Phases down the LGA appropriation in Pay 2013 and 2014 and thereafter to reflect the remaining phaseout of LGA to first class cities. The appropriation of $274,377,734 in Pay 2014 and thereafter is equal to the amount of aid going to cities other than first class cities and suburbs for aids payable in 2013.

Sets the county program aid appropriation for pay 2013 and later years at the $161 million level paid in 2012 (meaning that beginning in 2013 the aid will be distributed through the formula rather than simply the lesser of the 2010 amount or the certified 2011 amount).

24 **Terms.** Eliminates a cross reference to the inflation factor for PILT payments that is repealed in section 32.

25 **Types of land, payments.** Reduces the per acre rate for PILT payments beginning with aids payable in 2011 to 85 percent of the 2011 rate under current law. Eliminates any inflation in the future. Currently the inflation adjusted rates for payable 2011 are equal to:

- $5.133/acre or 0.75 percent of assessed value for acquired land;
- $1.283/acre for county administered other natural resources land and land utilization project (LUP) land; and
- $0.642/acre on commissioner administered other natural resource land.

The permanent rates set in the bill are 85 percent of the 2011 rates and are:

- $4.363/acre or 0.6375 percent of assessed value for acquired land;
- $1.091/acre for county administered other natural resources land and land utilization project (LUP) land; and
- $0.545/acre on commissioner administered other natural resource land.

26 **General distribution.** Adjusts the allocation of PILT payments to the county and the townships proportionately to reflect the 85 percent reduction in the total payments.

27 **Lake Vermilion State Park and Soudan Mine State Park, annual payments.** Reduces the PILT payments for land in these two parks to 85 percent of the current level-from 1.5 percent of appraised value to 1.275 percent of appraised value. Effective beginning with aids payable in 2011.

28 **Administration of 2011 property tax refund claims; renters.** Directs the commissioner of revenue to recalculate claims for 2011 renter property tax refunds to reflect the reduction in the percent of rent constituting property taxes from 19 percent to 12 percent provided in sections 15 and 16. Requires the commissioner to notify claimants whose refunds are recalculated that the recalculation was mandated by action of the 2011 Legislature.

Background. By January 31, 2011, landlords are required to issue form CRP to renters for use in claiming the renter property tax refund. Form CRP reports on line 1 the dollar amount of rent paid, and on line 3 the rent multiplied by the 19 percent, which equals the percent constituting property taxes. Renters are instructed to use the amount on line 3 in filling out form M-1PR, the claim form for property tax refunds. The Department of Revenue would then recalculate the M-1PR claim as if the line 3 amount had been rent multiplied by 12 percent, rather than 19 percent.

29 **Credit reductions and limitations; counties and cities.** Reduces county and city pay 2011 market values credit reimbursements to the same amount received in pay 2010, after reductions.

30 **Property tax statement for taxes payable in 2012 only.** Provides that for purposes of the 2012 tax statement only, in depicting property taxes payable in 2011, the market value homestead credit will not be explicitly shown. Instead, the credit will be subtracted from the amount shown as the gross tax.

31 **Cooperation, consolidation, innovation grants.** Allows the commissioner for administration to make grants of up to $100,000 each to local governments to plan and implement service cooperation/consolidation or innovation with at least one other local government. Grants are on a first-come first served basis and the total appropriation is about $1.6 million per year for the FY 2012-2013 biennium.

32 **Repealer.** Paragraphs (a) and (b) repeal the political contribution refund program, the section of the data practices law relating to political contribution refunds, and the section providing for refund receipts. Effective for contributions made after June 30, 2011.

Paragraph (c) repeals the market value credit reimbursement reductions for towns for pay 2011 and the inflation factor used to adjust PILT payments.

Paragraph (d) repeals the Sustainable Forest Incentive Act (SFIA) program effective July 1, 2011. Requires the commissioner of revenue to issue a document to each enrollee releasing the land from the covenant.

Article 7: Green Acres and Rural Preserves

Overview

This article modifies the Rural Preserves program by eliminating the requirements for a conservation plan and a covenant agreement. It provides that property enrolled in the Green Acres program or the Rural Preserves program after May 1, 2012, will be subject to a five-year payback requirement rather than the current three-year payback. This article also allows land removed from Green Acres after the 2008 changes to be reinstated to the Green Acres program or the Rural Preserves program at the owner's request, and requires the commissioner of revenue to consider alternative methodologies for valuing property in both programs.

1 **Purpose.** Provides that the purpose of the Green Acres program is "...to encourage and preserve farms by mitigating the property tax impact of increasing land values due to nonagricultural economic forces."

2 **Additional taxes.** Provides that for property originally enrolled in the Green Acres program after May 1, 2012, the payback period will be five years instead of three years.

3 **Requirements.** Modifies requirements for enrolling property in the Rural Preserves program by eliminating the requirement for a conservation assessment plan and eliminating the covenant requirement. Stipulates that only class 2b land that is currently classified as agricultural homestead, or that was *properly* classified as Green Acres land in 2008, is eligible for enrollment in the Rural Preserves program, and that the land must be contiguous to class 2a land under the same ownership that is enrolled in Green Acres.

4 **Application.** Eliminates the description of the covenant agreement and all references to it.

5 **Additional taxes.** Eliminates all references to the covenant agreement from the additional taxes section of the rural preserves program. Also provides that property that is initially enrolled after May 1, 2012, will be subject to a five-year payback requirement rather than a three-year requirement.

6 **Land removed from program.** Provides that any land that was properly enrolled in the Green Acres program as of May 21, 2008, and was then removed from the program must be reinstated to the Green Acres program, in the case of class 2a property, or enrolled in the rural preserves program, in the case of class 2b property, at the request of the owner. Further provides that if any back-taxes have been paid with respect to properties being reinstated to the program, the county must refund the additional taxes to the property owner.

Effective the day following final enactment.

7 **Covenants terminated.** Provides that any covenants entered into for the purpose of enrolling in the rural preserves program are terminated.

8 **Study required.** Requires the commissioner of revenue to explore alternative methods for valuing tillable and nontillable acreage enrolled in the Green Acres program or the Rural Preserves program, in consultation with the Department of Applied Economics at the University of Minnesota, the Minnesota Association of Assessing officers, and major farm groups. Requires the commissioner to make a report to the legislature describing the methodology to be used for the 2012 assessment prior to February 15, 2012.

9 **Repealer.** Repeals statutory section providing definitions for rural preserve conservation assessment plans.

Article 8: Minerals

Overview

This article decreases the occupation tax rate on the mining of non-ferrous minerals and increases the net proceeds tax rate by an offsetting amount. This will decrease state revenues and increase the local revenues that are in lieu of the property tax. Since none of this mining is now occurring, there is no current fiscal effect of these changes.

The article also modifies the formula for distributing revenues from the net proceeds tax to local units of government so that the city/town and school district shares for the units containing the mine will be shared on an equal basis with the governmental units containing the processing plant (if different from the unit with the mine). It also repeals the escalator clause for distribution of taconite production tax revenues to towns in the tax relief area.

1 **Occupation tax rate.** Reduces the rate of the occupation tax on minerals, other than iron ore and taconite, from 2.45 percent to 1.75 percent.

Background. The occupation tax on mining is imposed in lieu of the corporate franchise or income tax. The tax is computed in a manner similar to the corporate franchise tax, except a different apportionment mechanism is used, income is computed separately for each type of mineral, and the only deductions allowed are for expenses necessary to convert raw ores to marketable quality. Revenues from the tax are paid to the state's general fund.

2 **Net proceeds tax rate.** Increases the rate of the net proceeds tax from 2 percent to 2.7 percent. In conjunction with the change in section 1, the combined occupation and net proceeds tax rates will remain 4.45 percent.

Background. The net proceeds tax is computed in a manner similar to the occupation tax. It is based on the net proceeds derived from mining, as compared with the net income from mining under the occupation, with minor differences in the allowable deductions and calculation of the net. Unlike the occupation tax, carryover of losses is not allowed. The tax revenues from the tax are paid to local governments and are intended to be in lieu of property taxes (similar to the taconite production tax), although there isn't a clear property tax exemption for the mines or production facilities (as there are for taconite facilities).

3 **Distribution of net proceeds tax.** Modifies the distribution of the net proceeds tax in the following ways:

- The five-percent share under present law for the city or town in which the mine is located is divided between the cities or towns in which the mine and concentration or processing plant are located. 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 for allocating taconite production tax revenue.
- Makes similar changes to the 10-percent share for the school district in which the mine is located. This also parallels the language in the statute governing apportionment of taconite production tax revenue to the schools in which the mine and concentration plant are located.
- Requires the county to pay one percent of its share to the Range Association of Municipalities and Schools.
- Reduces the five-percent share for the Douglas J. Johnson economic protection fund to three percent.

- Increases the five-percent share for the taconite environmental protection fund to 7 percent.

4 **Taconite production tax distribution.** Eliminates the annual escalator (keyed to the indexing of the production tax rate) for the three-cent per ton distribution to towns in the taconite tax relief area. These distributions, starting with the 2012 distribution, would revert to the 3 cent per ton allowance, rather than the escalated amount.

Article 9: Miscellaneous

Overview

Requires the *Tax Incidence Study* prepared by the Department of Revenue to include information on federal tax burden.

Provides appropriations for the expansion of the *Tax Incidence Study*, for the new income tax reciprocity benchmark study, and for the study of the use of zip codes in collecting local sales taxes.

1 **Tax incidence study.** Directs the commissioner of revenue to include information on the distribution of federal taxes paid by Minnesota residents in the *Tax Incidence Study*, which is presented to the legislature in March of odd-numbered years. Effective beginning with the study due in March of 2013.

2 **Appropriations.** Appropriates $115,000 in fiscal year 2012 and $215,000 in fiscal year 2013 to the commissioner for the income tax reciprocity benchmark study in article 1, $35,000 in fiscal year 2012 for the study on the use of zip codes in collecting local sales taxes in article 4, and $15,000 per year on an ongoing basis to the commissioner for the expansion of the *Tax Incidence Study* to include federal tax burden in section 1.

Article 10: Cash Flow

Overview

Directs the commissioner of management and budget to transfer money from the cash flow account to the general fund.

1 **Cash flow account.** Requires the commissioner of management and budget to transfer the unobligated balance of the statutory cash flow account to the general fund by June 30, 2013. The account balance on June 30, 2013, is estimated to be $266 million dollars.