

STATE OF MINNESOTA

# Journal of the Senate

EIGHTIETH LEGISLATURE

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EIGHTY-FIRST DAY

St. Paul, Minnesota, Thursday, February 26, 1998

The Senate met at 10:00 a.m. and was called to order by the President.

## CALL OF THE SENATE

Mr. Foley imposed a call of the Senate. The Sergeant at Arms was instructed to bring in the absent members.

Prayer was offered by the Chaplain, Rev. John Estrem.

The roll was called, and the following Senators answered to their names:

|              |               |           |            |             |
|--------------|---------------|-----------|------------|-------------|
| Anderson     | Hottinger     | Langseth  | Olson      | Scheid      |
| Beckman      | Janezich      | Larson    | Ourada     | Solon       |
| Belanger     | Johnson, D.E. | Lesewski  | Pappas     | Spear       |
| Berglin      | Johnson, D.H. | Lessard   | Pariseau   | Stevens     |
| Betzold      | Johnson, D.J. | Limmer    | Piper      | Stumpf      |
| Cohen        | Johnson, J.B. | Lourey    | Pogemiller | Ten Eyck    |
| Day          | Junge         | Marty     | Price      | Terwilliger |
| Dille        | Kelley, S.P.  | Metzen    | Ranum      | Vickerman   |
| Fischbach    | Kelly, R.C.   | Moe, R.D. | Robertson  | Wiener      |
| Flynn        | Kiscaden      | Morse     | Robling    | Wiger       |
| Foley        | Kleis         | Murphy    | Runbeck    |             |
| Frederickson | Knutson       | Neuville  | Sams       |             |
| Hanson       | Krentz        | Novak     | Samuelson  |             |
| Higgins      | Laidig        | Oliver    | Scheevel   |             |

The President declared a quorum present.

The reading of the Journal was dispensed with and the Journal, as printed and corrected, was approved.

## EXECUTIVE AND OFFICIAL COMMUNICATIONS

The following communication was received.

February 25, 1998

The Honorable Phil Carruthers  
Speaker of the House of Representatives

The Honorable Allan H. Spear  
President of the Senate

I have the honor to inform you that the following enrolled Acts of the 1998 Session of the State Legislature have been received from the Office of the Governor and are deposited in the Office of the Secretary of State for preservation, pursuant to the State Constitution, Article IV, Section 23:

Time and

| S.F.<br>No. | H.F.<br>No. | Session Laws<br>Chapter No. | Date Approved<br>1998 | Date Filed<br>1998 |
|-------------|-------------|-----------------------------|-----------------------|--------------------|
|             | 2372        | 256                         | 3:02 p.m. February 25 | February 25        |
|             | 2550        | 257                         | 3:05 p.m. February 25 | February 25        |
|             | 2338        | 258                         | 3:08 p.m. February 25 | February 25        |

Sincerely,  
Joan Anderson Growe  
Secretary of State

### MESSAGES FROM THE HOUSE

Mr. President:

I have the honor to announce the passage by the House of the following Senate Files, herewith returned: S.F. Nos. 2525 and 2685.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned February 25, 1998

Mr. President:

I have the honor to announce the passage by the House of the following House Files, herewith transmitted: H.F. Nos. 2935 and 2986.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted February 25, 1998

### FIRST READING OF HOUSE BILLS

The following bills were read the first time and referred to the committees indicated.

**H.F. No. 2935:** A bill for an act relating to agriculture; providing rulemaking authority in the warehouse and grain storage laws; proposing coding for new law in Minnesota Statutes, chapters 231; and 232.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 2884.

**H.F. No. 2986:** A bill for an act relating to taxation; income; requiring the commissioner of revenue to calculate the Minnesota working family credit for certain taxpayers; amending Minnesota Statutes 1996, section 290.0671, subdivision 5.

Referred to the Committee on Taxes.

### REPORTS OF COMMITTEES

Mr. Moe, R.D. moved that the Committee Report at the Desk be now adopted. The motion prevailed.

**Mr. Johnson, D.J. from the Committee on Taxes, to which was referred**

**S.F. No. 2985:** A bill for an act relating to taxation; repealing levy limits; amending Minnesota Statutes 1997 Supplement, section 275.16; repealing Minnesota Statutes 1997 Supplement, sections 275.70; 275.71; 275.72; 275.73; and 275.74; Laws 1997, chapter 231, article 3, section 8.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1  
PROPERTY TAX REFORM

Section 1. Minnesota Statutes 1997 Supplement, section 124.239, subdivision 5, is amended to read:

Subd. 5. [LEVY AUTHORIZED.] A district, after local board approval, may levy for costs related to an approved facility plan as follows:

(a) if the district has indicated to the commissioner that bonds will be issued, the district may levy for the principal and interest payments on outstanding bonds issued according to subdivision 3 after reduction for any alternative facilities aid receivable under subdivision 5a; or

(b) if the district has indicated to the commissioner that the plan will be funded through levy, the district may levy according to the schedule approved in the plan after reduction for any alternative facilities aid receivable under subdivision 5a.

Sec. 2. Minnesota Statutes 1997 Supplement, section 124.239, subdivision 5a, is amended to read:

Subd. 5a. [ALTERNATIVE FACILITIES AID.] A district's alternative facilities aid is the amount equal to the district's annual debt service costs, provided that the amount does not exceed the amount certified to be levied for those purposes for taxes payable in 1997 plus, for districts with adjusted net tax capacity per actual pupil unit of less than \$2,800, an amount equal to the district's gross levy authority under subdivision 5, clause (b), before reduction by debt service equalization aid under section 124.95 for taxes payable in 1998.

Sec. 3. Minnesota Statutes 1997 Supplement, section 124.239, subdivision 5b, is amended to read:

Subd. 5b. [ALTERNATIVE FACILITIES APPROPRIATION.] (a) An amount not to exceed ~~\$17,000,000~~ \$22,129,000 is appropriated from the general fund to the commissioner of children, families, and learning for fiscal year 2000 and not to exceed \$22,698,000 for fiscal year 2001 and each year thereafter for payment of alternative facilities aid under subdivision 5a. The 2000 appropriation includes \$1,700,000 for 1999 and ~~\$15,300,000~~ \$20,429,000 for 2000.

(b) The appropriation in paragraph (a) must be reduced by the amount of any money specifically appropriated for the same purpose in any year from any state fund.

Sec. 4. Minnesota Statutes 1996, section 124A.03, subdivision 1f, is amended to read:

Subd. 1f. [REFERENDUM EQUALIZATION REVENUE.] A district's referendum equalization revenue equals ~~\$315~~ \$385 times the district's actual pupil units for that year.

Referendum equalization revenue must not exceed a district's total referendum revenue for that year.

Sec. 5. Minnesota Statutes 1997 Supplement, section 273.127, subdivision 3, is amended to read:

Subd. 3. [CLASS 4C PROPERTIES.] For the market value of properties that meet the criteria of subdivision 2, paragraph (a), and which no longer qualify as a result of the eligibility criteria specified in section 273.126, a class rate of 2.4 percent applies for taxes payable in 1999 and a class rate of ~~2.6~~ 2.5 percent applies for taxes payable in 2000.

Sec. 6. Minnesota Statutes 1997 Supplement, section 273.13, subdivision 22, is amended to read:

Subd. 22. [CLASS 1.] (a) Except as provided in subdivision 23, real estate which is residential

and used for homestead purposes is class 1. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

~~For taxes payable in 1998 and thereafter,~~ The first \$75,000 of market value of class 1a property has a net class rate of one percent of its market value; and the market value of class 1a property that exceeds \$75,000 has a class rate of ~~1.85~~ 1.7 percent of its market value for taxes payable in 1999, and 1.6 percent of its market value for taxes payable in 2000 and thereafter.

(b) Class 1b property includes homestead real estate or homestead manufactured homes used for the purposes of a homestead by

(1) any blind person, or the blind person and the blind person's spouse; or

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

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

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

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

(3) any person who:

(i) is permanently and totally disabled and

(ii) receives 90 percent or more of total income from

(A) aid from any state as a result of that disability; or

(B) supplemental security income for the disabled; or

(C) workers' compensation based on a finding of total and permanent disability; or

(D) social security disability, including the amount of a disability insurance benefit which is converted to an old age insurance benefit and any subsequent cost of living increases; or

(E) aid under the federal Railroad Retirement Act of 1937, United States Code Annotated, title 45, section 228b(a)5; or

(F) a pension from any local government retirement fund located in the state of Minnesota as a result of that disability; or

(G) pension, annuity, or other income paid as a result of that disability from a private pension or disability plan, including employer, employee, union, and insurance plans and

(iii) has household income as defined in section 290A.03, subdivision 5, of \$50,000 or less; or

(4) any person who is permanently and totally disabled and whose household income as defined in section 290A.03, subdivision 5, is 275 percent or less of the federal poverty level.

Property is classified and assessed under clause (4) only if the government agency or income-providing source certifies, upon the request of the homestead occupant, that the homestead occupant satisfies the disability requirements of this paragraph.

Property is classified and assessed pursuant to clause (1) only if the commissioner of economic security certifies to the assessor that the homestead occupant satisfies the requirements of this paragraph.

Permanently and totally disabled for the purpose of this subdivision means a condition which is

permanent in nature and totally incapacitates the person from working at an occupation which brings the person an income. The first \$32,000 market value of class 1b property has a net class rate of .45 percent of its market value. The remaining market value of class 1b property has a net class rate using the rates for class 1 or class 2a property, whichever is appropriate, of similar market value.

(c) Class 1c property is commercial use real property that abuts a lakeshore line and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner, which includes a dwelling occupied as a homestead by a shareholder of a corporation that owns the resort or a partner in a partnership that owns the resort, even if the title to the homestead is held by the corporation or partnership. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property, excluding the portion used exclusively as a homestead, is used for residential occupancy and a fee is charged for residential occupancy. In order for a property to be classified as class 1c, at least 40 percent of the annual gross lodging receipts related to the property must be from business conducted ~~between Memorial Day weekend and Labor Day weekend~~ during any three consecutive calendar months, and either (i) at least 60 percent of all paid reservations or paid bookings by lodging guests during the year must be for periods of at least two consecutive nights; or (ii) at least 20 percent of the annual gross receipts must be from sales of recreational services, which include rental of fish houses, boats and motors, snowmobiles, downhill or cross-country ski equipment, marina services, launch services, and fishing guide services. Class 1c property has a class rate of one percent of total market value with the following limitation: the area of the property must not exceed 100 feet of lakeshore footage for each cabin or campsite located on the property up to a total of 800 feet and 500 feet in depth, measured away from the lakeshore.

(d) Class 1d property includes structures that meet all of the following criteria:

(1) the structure is located on property that is classified as agricultural property under section 273.13, subdivision 23;

(2) the structure is occupied exclusively by seasonal farm workers during the time when they work on that farm, and the occupants are not charged rent for the privilege of occupying the property, provided that use of the structure for storage of farm equipment and produce does not disqualify the property from classification under this paragraph;

(3) the structure meets all applicable health and safety requirements for the appropriate season; and

(4) the structure is not saleable as residential property because it does not comply with local ordinances relating to location in relation to streets or roads.

The market value of class 1d property has the same class rates as class 1a property under paragraph (a).

Sec. 7. Minnesota Statutes 1997 Supplement, section 273.13, subdivision 23, is amended to read:

Subd. 23. [CLASS 2.] (a) Class 2a property is agricultural land including any improvements that is homesteaded. The market value of the house and garage and immediately surrounding one acre of land has the same class rates as class 1a property under subdivision 22. The value of the remaining land including improvements up to \$115,000 has a net class rate of ~~0.4~~ 0.37 percent of market value for taxes payable in 1999 and 0.35 percent of market value for taxes payable in 2000 and thereafter. The remaining value of class 2a property over \$115,000 of market value that does not exceed 320 acres has a net class rate of ~~0.9~~ 0.85 percent of market value for taxes payable in 1999 and 0.8 percent of market value for taxes payable in 2000 and thereafter. The remaining property over the \$115,000 market value in excess of 320 acres has a class rate of ~~1.4~~ 1.25 percent of market value for taxes payable in 1999 and 1.15 percent of market value for taxes payable in 2000 and thereafter.

(b) Class 2b property is (1) real estate, rural in character and used exclusively for growing trees for timber, lumber, and wood and wood products; (2) real estate that is not improved with a structure and is used exclusively for growing trees for timber, lumber, and wood and wood products, if the owner has participated or is participating in a cost-sharing program for afforestation, reforestation, or timber stand improvement on that particular property, administered or coordinated by the commissioner of natural resources; (3) real estate that is nonhomestead agricultural land; or (4) a landing area or public access area of a privately owned public use airport. Class 2b property that is nonhomestead agricultural land has a net class rate of 1.4 1.25 percent of market value for taxes payable in 1999 and 1.15 percent of market value for taxes payable in 2000 and thereafter. The remainder of class 2b has a net class rate of 1.35 percent of market value for taxes payable in 1999 and 1.25 percent of market value for taxes payable in 2000 and thereafter.

(c) Agricultural land as used in this section means contiguous acreage of ten acres or more, used during the preceding year for agricultural purposes. "Agricultural purposes" as used in this section means the raising or cultivation of agricultural products or enrollment in the Reinvest in Minnesota program under sections 103F.501 to 103F.535 or the federal Conservation Reserve Program as contained in Public Law Number 99-198. Contiguous acreage on the same parcel, or contiguous acreage on an immediately adjacent parcel under the same ownership, may also qualify as agricultural land, but only if it is pasture, timber, waste, unusable wild land, or land included in state or federal farm programs. Agricultural classification for property shall be determined excluding the house, garage, and immediately surrounding one acre of land, and shall not be based upon the market value of any residential structures on the parcel or contiguous parcels under the same ownership.

(d) Real estate, excluding the house, garage, and immediately surrounding one acre of land, of less than ten acres which is exclusively and intensively used for raising or cultivating agricultural products, shall be considered as agricultural land.

Land shall be classified as agricultural even if all or a portion of the agricultural use of that property is the leasing to, or use by another person for agricultural purposes.

Classification under this subdivision is not determinative for qualifying under section 273.111.

The property classification under this section supersedes, for property tax purposes only, any locally administered agricultural policies or land use restrictions that define minimum or maximum farm acreage.

(e) The term "agricultural products" as used in this subdivision includes production for sale of:

(1) livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing animals, horticultural and nursery stock described in sections 18.44 to 18.61, fruit of all kinds, vegetables, forage, grains, bees, and apiary products by the owner;

(2) fish bred for sale and consumption if the fish breeding occurs on land zoned for agricultural use;

(3) the commercial boarding of horses if the boarding is done in conjunction with raising or cultivating agricultural products as defined in clause (1);

(4) property which is owned and operated by nonprofit organizations used for equestrian activities, excluding racing; and

(5) game birds and waterfowl bred and raised for use on a shooting preserve licensed under section 97A.115.

(f) If a parcel used for agricultural purposes is also used for commercial or industrial purposes, including but not limited to:

(1) wholesale and retail sales;

(2) processing of raw agricultural products or other goods;

(3) warehousing or storage of processed goods; and

(4) office facilities for the support of the activities enumerated in clauses (1), (2), and (3), the assessor shall classify the part of the parcel used for agricultural purposes as class 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its use. The grading, sorting, and packaging of raw agricultural products for first sale is considered an agricultural purpose. A greenhouse or other building where horticultural or nursery products are grown that is also used for the conduct of retail sales must be classified as agricultural if it is primarily used for the growing of horticultural or nursery products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of those products. Use of a greenhouse or building only for the display of already grown horticultural or nursery products does not qualify as an agricultural purpose.

The assessor shall determine and list separately on the records the market value of the homestead dwelling and the one acre of land on which that dwelling is located. If any farm buildings or structures are located on this homesteaded acre of land, their market value shall not be included in this separate determination.

(g) To qualify for classification under paragraph (b), clause (4), a privately owned public use airport must be licensed as a public airport under section 360.018. For purposes of paragraph (b), clause (4), "landing area" means that part of a privately owned public use airport properly cleared, regularly maintained, and made available to the public for use by aircraft and includes runways, taxiways, aprons, and sites upon which are situated landing or navigational aids. A landing area also includes land underlying both the primary surface and the approach surfaces that comply with all of the following:

(i) the land is properly cleared and regularly maintained for the primary purposes of the landing, taking off, and taxiing of aircraft; but that portion of the land that contains facilities for servicing, repair, or maintenance of aircraft is not included as a landing area;

(ii) the land is part of the airport property; and

(iii) the land is not used for commercial or residential purposes.

The land contained in a landing area under paragraph (b), clause (4), must be described and certified by the commissioner of transportation. The certification is effective until it is modified, or until the airport or landing area no longer meets the requirements of paragraph (b), clause (4). For purposes of paragraph (b), clause (4), "public access area" means property used as an aircraft parking ramp, apron, or storage hangar, or an arrival and departure building in connection with the airport.

Sec. 8. Minnesota Statutes 1997 Supplement, section 273.13, subdivision 24, is amended to read:

Subd. 24. [CLASS 3.] (a) Commercial and industrial property and utility real and personal property, except class 5 property as identified in subdivision 31, clause (1), is class 3a. Each parcel has a class rate of ~~2.7~~ 2.6 percent for taxes payable in 1999 and 2.5 percent for taxes payable in 2000 and thereafter of the first tier of market value, and ~~4.0~~ 3.65 percent for taxes payable in 1999 and 3.5 percent for taxes payable in 2000 and thereafter of the remaining market value, except that in the case of contiguous parcels of commercial and industrial property owned by the same person or entity, only the value equal to the first-tier value of the contiguous parcels qualifies for the reduced class rate. For the purposes of this subdivision, the first tier means the first \$150,000 of market value. In the case of utility property owned by one person or entity, only one parcel in each county has a reduced class rate on the first tier of market value.

For purposes of this paragraph, parcels are considered to be contiguous even if they are separated from each other by a road, street, vacant lot, waterway, or other similar intervening type of property.

(b) Employment property defined in section 469.166, during the period provided in section

469.170, shall constitute class 3b and has a class rate of 2.3 percent of the first \$50,000 of market value and 3.6 percent for taxes payable in 1999 and 3.5 percent for taxes payable in 2000 and thereafter of the remainder, except that for employment property located in a border city enterprise zone designated pursuant to section 469.168, subdivision 4, paragraph (c), the class rate of the first tier of market value and the class rate of the remainder is determined under paragraph (a), unless the governing body of the city designated as an enterprise zone determines that a specific parcel shall be assessed pursuant to the first clause of this sentence. The governing body may provide for assessment under the first clause of the preceding sentence only for property which is located in an area which has been designated by the governing body for the receipt of tax reductions authorized by section 469.171, subdivision 1.

(c) Structures which are (i) located on property classified as class 3a, (ii) constructed under an initial building permit issued after January 2, 1996, (iii) located in a transit zone as defined under section 473.3915, subdivision 3, (iv) located within the boundaries of a school district, and (v) not primarily used for retail or transient lodging purposes, shall have a class rate equal to 85 percent of the class rate of the second tier of the commercial property rate under paragraph (a) on any portion of the market value that does not qualify for the first tier class rate under paragraph (a). As used in item (v), a structure is primarily used for retail or transient lodging purposes if over 50 percent of its square footage is used for those purposes. ~~The four percent rate~~ A class rate equal to 85 percent of the class rate of the second tier of the commercial property rate under paragraph (a) shall also apply to improvements to existing structures that meet the requirements of items (i) to (v) if the improvements are constructed under an initial building permit issued after January 2, 1996, even if the remainder of the structure was constructed prior to January 2, 1996. For the purposes of this paragraph, a structure shall be considered to be located in a transit zone if any portion of the structure lies within the zone. If any property once eligible for treatment under this paragraph ceases to remain eligible due to revisions in transit zone boundaries, the property shall continue to receive treatment under this paragraph for a period of three years.

Sec. 9. Minnesota Statutes 1997 Supplement, section 273.13, subdivision 25, as amended by Laws 1997, Third Special Session chapter 3, section 28, is amended to read:

Subd. 25. [CLASS 4.] (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. Class 4a property in a city with a population of 5,000 or less, that is (1) located outside of the metropolitan area, as defined in section 473.121, subdivision 2, or outside any county contiguous to the metropolitan area, and (2) whose city boundary is at least 15 miles from the boundary of any city with a population greater than 5,000 has a class rate of ~~2.3~~ 2.25 percent of market value for taxes payable in 1999 and 2.15 percent of market value for taxes payable in 2000 and thereafter. ~~All other class 4a property has a class rate of 2.9~~ 2.65 percent of market value for taxes payable in 1999 and 2.5 percent of market value for taxes payable in 2000 and thereafter. For purposes of this paragraph, population has the same meaning given in section 477A.011, subdivision 3.

(b) Class 4b includes:

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

(2) manufactured homes not classified under any other provision;

(3) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b) containing two or three units;

(4) unimproved property that is classified residential as determined under section 273.13, subdivision 33.

Class 4b property has a class rate of ~~2.4~~ 1.8 percent of market value.

(c) Class 4bb includes:

(1) nonhomestead residential real estate containing one unit, other than seasonal residential, and recreational; and

(2) a single family dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b).

Class 4bb has a class rate of ~~1.9~~ 1.5 percent for taxes payable in 1999 and 1.25 percent for taxes payable in 2000 and thereafter on the first \$75,000 of market value and a class rate of ~~2.1~~ 1.7 percent for taxes payable in 1999 and 1.6 percent for taxes payable in 2000 and thereafter of its market value that exceeds \$75,000.

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

(d) Class 4c property includes:

(1) except as provided in subdivision 22, paragraph (c), real property devoted to temporary and seasonal residential occupancy for recreation purposes, including real property devoted to temporary and seasonal residential occupancy for recreation purposes and not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property is used for residential occupancy, and a fee is charged for residential occupancy. In order for a property to be classified as class 4c, seasonal recreational residential for commercial purposes, at least 40 percent of the annual gross lodging receipts related to the property must be from business conducted ~~between Memorial Day weekend and Labor Day weekend~~ during three consecutive calendar months and either (i) at least 60 percent of all paid reservations or paid bookings by lodging guests during the year must be for periods of at least two consecutive nights; or (ii) at least 20 percent of the annual gross receipts must be from sales of recreational services, which include rental of fish houses, boats and motors, snowmobiles, downhill or cross-country ski equipment, marina services, launch services, and fishing guide services. Class 4c also includes commercial use real property used exclusively for recreational purposes in conjunction with class 4c property devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 250 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. Class 4c property classified in this clause also includes the remainder of class 1c resorts. Owners of real property devoted to temporary and seasonal residential occupancy for recreation purposes and all or a portion of which was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 1c or 4c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located will be designated class 1c or 4c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located will be designated as class 3a. The owner of property desiring designation as class 1c or 4c property must provide guest registers or other records demonstrating that the units for which class 1c or 4c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, and (4) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes shall not qualify for class 1c or 4c;

(2) qualified property used as a golf course if:

(i) ~~any portion of the property is located within a county that has a population of less than 50,000, or within a county containing a golf course owned by a municipality, the county, or a special taxing district;~~

(ii) it is open to the public on a daily fee basis. It may charge membership fees or dues, but a membership fee may not be required in order to use the property for golfing, and its green fees for golfing must be comparable to green fees typically charged by municipal courses; and

(iii) (ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).

A structure used as a clubhouse, restaurant, or place of refreshment in conjunction with the golf course is classified as class 3a property.

(3) real property up to a maximum of one acre of land owned by a nonprofit community service oriented organization; provided that the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment and the property is not used for residential purposes on either a temporary or permanent basis. For purposes of this clause, a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (10), or (19) of the Internal Revenue Code of 1986, as amended through December 31, 1990. For purposes of this clause, "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises. Any portion of the property which is used for revenue-producing activities for more than six days in the calendar year preceding the year of assessment shall be assessed as class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity;

(4) post-secondary student housing of not more than one acre of land that is owned by a nonprofit corporation organized under chapter 317A and is used exclusively by a student cooperative, sorority, or fraternity for on-campus housing or housing located within two miles of the border of a college campus; and

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

Class 4c property has a class rate of ~~2.1~~ 1.95 percent of market value for taxes payable in 1999 and 1.8 percent for taxes payable in 2000 and thereafter, except that (i) for each parcel of seasonal residential recreational property not used for commercial purposes the first \$75,000 of market value has a class rate of ~~1.4~~ 1.35 percent for taxes payable in 1999 and 1.25 percent for taxes payable in 2000 and thereafter, and the market value that exceeds \$75,000 has a class rate of ~~2.5~~ 2.4 percent for taxes payable in 1999 and 2.2 percent for taxes payable in 2000 and thereafter, and (ii) manufactured home parks assessed under clause (5) have a class rate of two percent.

(e) Class 4d property is qualifying low-income rental housing certified to the assessor by the housing finance agency under sections 273.126 and 462A.071. Class 4d includes land in proportion to the total market value of the building that is qualifying low-income rental housing. For all properties qualifying as class 4d, the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents.

Class 4d property has a class rate of one percent of market value.

(f) Class 4e property consists of the residential portion of any structure located within a city that was converted from nonresidential use to residential use, provided that:

- (1) the structure had formerly been used as a warehouse;
- (2) the structure was originally constructed prior to 1940;
- (3) the conversion was done after December 31, 1995, but before January 1, 2003; and
- (4) the conversion involved an investment of at least \$25,000 per residential unit.

Class 4e property has a class rate of 2.3 percent, provided that a structure is eligible for class 4e classification only in the 12 assessment years immediately following the conversion.

Sec. 10. Minnesota Statutes 1997 Supplement, section 273.13, subdivision 31, is amended to read:

Subd. 31. [CLASS 5.] Class 5 property includes:

(1) tools, implements, and machinery of an electric generating, transmission, or distribution system or a pipeline system transporting or distributing water, gas, crude oil, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings, which are fixtures;

(2) unmined iron ore and low-grade iron-bearing formations as defined in section 273.14; and

(3) all other property not otherwise classified.

Class 5 property has a class rate of ~~4.0~~ 3.65 percent of market value for taxes payable in ~~1998~~ 1999 and 3.5 percent of market value for taxes payable in 2000 and thereafter.

Sec. 11. Minnesota Statutes 1997 Supplement, section 273.1382, subdivision 1, is amended to read:

Subdivision 1. [EDUCATION HOMESTEAD CREDIT.] Each year, beginning with property taxes payable in 1998, the respective county auditors shall determine the initial tax rate for each school district for the general education levy certified under section 124A.23, subdivision 2 or 3. That rate plus the school district's education homestead credit tax rate adjustment under section 275.08, subdivision 1e, shall be the general education homestead credit local tax rate for the district. The auditor shall then determine a general education homestead credit for each homestead within the county equal to ~~32~~ 56 percent for taxes payable in 1999 and 68 percent for taxes payable in 2000 and thereafter of the general education homestead credit local tax rate times the net tax capacity of the homestead for the taxes payable year. The amount of general education homestead credit for a homestead may not exceed ~~\$225~~ \$270 for taxes payable in 1999 and \$290 for taxes payable in 2000 and thereafter. In the case of an agricultural homestead, only the net tax capacity of the house, garage, and surrounding one acre of land shall be used in determining the property's education homestead credit.

Sec. 12. Minnesota Statutes 1997 Supplement, section 273.1382, subdivision 3, is amended to read:

Subd. 3. [APPROPRIATION.] An amount sufficient to make the payments required by this section is annually appropriated from the general fund to the commissioner of children, families, and learning, except that for fiscal years 2000 and 2001 the amount necessary to make the increased payments attributable to section 11 is appropriated from the property tax reform account.

Sec. 13. Minnesota Statutes 1996, section 273.1398, subdivision 2, is amended to read:

Subd. 2. [HOMESTEAD AND AGRICULTURAL CREDIT AID.] Homestead and agricultural credit aid for each unique taxing jurisdiction equals the product of (1) the homestead and agricultural credit aid base, and (2) the growth adjustment factor, plus the net tax capacity adjustment and the fiscal disparity adjustment. Beginning with homestead and agricultural credit aid payable in 2000, each county that receives an amount in calendar year 2000 under section 477A.0122 as a result of the appropriation in section 477A.03, subdivision 2, paragraph (c), clause (3), shall have its homestead and agricultural credit aid permanently reduced by an equal amount.

Sec. 14. Minnesota Statutes 1996, section 273.1398, subdivision 4, is amended to read:

Subd. 4. [DISPARITY REDUCTION CREDIT.] (a) Beginning with taxes payable in 1989, class 4a, class 3a, and class 3b property qualifies for a disparity reduction credit if: (1) the property is located in a border city that has an enterprise zone designated pursuant to section 469.168, subdivision 4; (2) the property is located in a city with a population greater than 2,500 and less than 35,000 according to the 1980 decennial census; (3) the city is adjacent to a city in another state or immediately adjacent to a city adjacent to a city in another state; and (4) the adjacent city in the other state has a population of greater than 5,000 and less than 75,000.

(b) The credit is an amount sufficient to reduce (i) the taxes levied on class 4a property to 2.3 percent of the property's market value and (ii) the tax on class 3a and class 3b property to ~~3.3~~ 2.3 percent of market value.

(c) The county auditor shall annually certify the costs of the credits to the department of revenue. The department shall reimburse local governments for the property taxes foregone as the result of the credits in proportion to their total levies.

Sec. 15. Minnesota Statutes 1997 Supplement, section 275.16, is amended to read:

275.16 [COUNTY AUDITOR TO FIX AMOUNT OF LEVY.]

If any such municipality shall return to the county auditor a levy greater than permitted by chapters 124, 124A, 124B, 136C, and 136D, and sections 275.124 to 275.16, ~~and sections 275.70 to 275.74~~, such county auditor shall extend only such amount of taxes as the limitations herein prescribed will permit; provided, if such levy shall include any levy for the payment of bonded indebtedness or judgments, such levies for bonded indebtedness or judgments shall be extended in full, and the remainder of the levies shall be reduced so that the total thereof, including levies for bonds and judgments, shall not exceed such amount as the limitations herein prescribed will permit.

Sec. 16. Minnesota Statutes 1996, section 477A.0122, subdivision 6, is amended to read:

Subd. 6. [REPORT.] On or before March 15 of the year following the year in which the distributions under this section are received, each county shall file with the commissioner of revenue and commissioner of human services a report on prior year expenditures for out-of-home placement and family preservation, including expenditures under this section. For the human services programs specified in this section, the commissioner of revenue and commissioner of human services, in consultation with representatives of county governments, shall make a recommendation to the 1999 legislature as to which current reporting requirements imposed on county governments, if any, may be eliminated, replaced, or consolidated on the report established by this section. For aid payable in calendar year 2000 and thereafter, each county shall provide information on the amount of state aid, local property tax revenue, and federal aid expended by that county on the programs specified in this section using the consolidated financial report recommended by the commissioner of revenue and commissioner of human services under this subdivision.

Sec. 17. Minnesota Statutes 1996, section 477A.03, subdivision 2, is amended to read:

Subd. 2. [ANNUAL APPROPRIATION.] (a) A sum sufficient to discharge the duties imposed by sections 477A.011 to 477A.014 is annually appropriated from the general fund to the commissioner of revenue. For aids payable in 1996 and thereafter, the total aids paid under sections section 477A.013, subdivision 9, and 477A.0122 are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3. ~~Aid payments to counties under section 477A.0121 are limited to \$20,265,000 in 1996. Aid payments to counties under section 477A.0121 are limited to \$27,571,625 in 1997.~~

(b) For aid payable in 1998 and thereafter, the total aids paid under section 477A.0121 are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3.

(c) For aid payable in 2000, the total aid payments under section 477A.0122 are the sum of:

(1) the amounts certified to be paid in the previous year, adjusted for inflation as provided in subdivision 3; plus

(2) \$20,000,000; plus

(3) \$10,000,000.

For aid payable in 2001 and thereafter, the total aid payments under section 477A.0122 are the amounts certified to be paid in the previous year, adjusted for inflation as provided in subdivision 3.

**Sec. 18. [LOCAL GOVERNMENT AID INCREASE FOR JURISDICTIONS WITH LOW-INCOME RENTAL HOUSING.]**

Notwithstanding the limitations in Minnesota Statutes, section 477A.013, subdivision 9, paragraphs (b) and (c), if a city's net tax capacity loss as a result of the conversion of existing class 4b nonhomestead residential properties and existing class 4a, 4c, and 4d apartments under section 273.13, subdivision 25, for the 1997 assessment to class 4d low-income rental housing under section 273.13, subdivision 25, for the 1998 assessment exceeds five percent of the city's net tax capacity used for computation of the local tax rate under Minnesota Statutes, section 275.07, subdivision 1b, for taxes payable in 1998, the city shall receive additional local government aid in 1999. The additional aid shall be equal to 50 percent of the product of the city's local tax rate for taxes payable in 1998 and the city's net tax capacity loss as the result of conversion. The net tax capacity loss shall be calculated using limited market values for the 1997 assessment. On or before June 15, 1998, a city qualifying for additional aid shall certify the 1997 limited market value of the converted units and the proportionate share of the land qualifying for class 4d and the property's old classification for the 1997 assessment to the commissioner of revenue along with any additional information the commissioner may require. For local government aid in 2000 and subsequent years, the aid increase under this section shall be added to the city's aid base under Minnesota Statutes, section 477A.01. The amount appropriated for aid to be paid under this section in any year shall not exceed \$1,000,000. If the total amount of aid that would otherwise be payable under the formula in this section exceeds \$1,000,000, the amount of aid payable to each city is reduced proportionately.

**Sec. 19. [PROPERTY TAX REFUNDS FOR 1999 CLAIMS.]**

Subdivision 1. [GENERALLY.] Claims based on rent paid in 1998 and property taxes payable in 1999 only are determined according to this section in lieu of the provisions of Minnesota Statutes, section 290A.04, subdivisions 2 and 2a.

Subd. 2. [HOMEOWNERS.] A claimant whose property taxes payable are in excess of the percentage of the household income stated below shall pay an amount equal to the percent of income shown for the appropriate household income level along with the percent to be paid by the claimant of the remaining amount of property taxes payable. The state refund equals the amount of property taxes payable that remain, up to the state refund amount shown below.

| <u>Household Income</u> | <u>Percent of Income</u> | <u>Percent Paid by Claimant</u> | <u>Maximum State Refund</u> |
|-------------------------|--------------------------|---------------------------------|-----------------------------|
| \$0 to 2,279            | 1.2 percent              | 18 percent                      | \$1,000                     |
| 2,280 to 4,579          | 1.4 percent              | 20 percent                      | \$1,000                     |
| 4,580 to 8,019          | 1.7 percent              | 20 percent                      | \$1,000                     |
| 8,020 to 10,299         | 2.0 percent              | 25 percent                      | \$1,000                     |
| 10,300 to 12,589        | 2.3 percent              | 30 percent                      | \$1,000                     |
| 12,590 to 16,029        | 2.5 percent              | 30 percent                      | \$1,000                     |
| 16,030 to 18,309        | 2.8 percent              | 35 percent                      | \$1,000                     |
| 18,310 to 27,469        | 3.0 percent              | 40 percent                      | \$1,000                     |
| 27,470 to 45,779        | 3.5 percent              | 45 percent                      | \$1,000                     |
| 45,780 to 65,239        | 4.0 percent              | 50 percent                      | \$1,000                     |
| 65,240 to 66,379        | 4.0 percent              | 50 percent                      | \$ 750                      |
| 66,380 to 67,529        | 4.0 percent              | 50 percent                      | \$ 600                      |
| 67,530 to 68,679        | 4.0 percent              | 50 percent                      | \$ 250                      |
| 68,680 and up           |                          |                                 | \$ 0                        |

The payment made to a claimant shall be the amount of the state refund calculated under this subdivision. No payment is allowed if the claimant's household income is \$61,930 or more.

Subd. 3. [RENTERS.] A claimant whose rent constituting property taxes exceeds the percentage of the household income stated below must pay an amount equal to the percent of income shown for the appropriate household income level along with the percent to be paid by the

claimant of the remaining amount of rent constituting property taxes. The state refund equals the amount of rent constituting property taxes that remain, up to the maximum state refund amount shown below.

| <u>Household Income</u> | <u>Percent of Income</u> | <u>Percent Paid by Claimant</u> | <u>Maximum State Refund</u> |
|-------------------------|--------------------------|---------------------------------|-----------------------------|
| \$0 to 4,579            | 0.8 percent              | 5 percent                       | \$1,200                     |
| 4,580 to 8,019          | 1.0 percent              | 5 percent                       | \$1,200                     |
| 8,020 to 10,299         | 1.0 percent              | 8 percent                       | \$1,200                     |
| 10,300 to 11,439        | 1.0 percent              | 10 percent                      | \$1,200                     |
| 11,440 to 12,589        | 1.0 percent              | 12 percent                      | \$1,200                     |
| 12,590 to 16,029        | 1.2 percent              | 15 percent                      | \$1,200                     |
| 16,030 to 17,169        | 1.4 percent              | 17 percent                      | \$1,200                     |
| 17,170 to 19,459        | 1.5 percent              | 20 percent                      | \$1,200                     |
| 19,460 to 20,609        | 1.7 percent              | 20 percent                      | \$1,200                     |
| 20,610 to 21,749        | 1.8 percent              | 25 percent                      | \$1,200                     |
| 21,750 to 22,889        | 2.0 percent              | 25 percent                      | \$1,200                     |
| 22,890 to 24,029        | 2.0 percent              | 30 percent                      | \$1,200                     |
| 24,030 to 25,189        | 2.3 percent              | 35 percent                      | \$1,200                     |
| 25,190 to 27,469        | 2.5 percent              | 35 percent                      | \$1,200                     |
| 27,470 to 29,769        | 2.8 percent              | 40 percent                      | \$1,200                     |
| 29,770 to 32,049        | 3.0 percent              | 40 percent                      | \$1,200                     |
| 32,050 to 33,189        | 3.2 percent              | 45 percent                      | \$1,075                     |
| 33,190 to 34,329        | 3.2 percent              | 45 percent                      | \$ 950                      |
| 34,330 to 35,489        | 3.5 percent              | 45 percent                      | \$ 800                      |
| 35,490 to 36,629        | 3.5 percent              | 50 percent                      | \$ 690                      |
| 36,630 to 37,769        | 3.5 percent              | 50 percent                      | \$ 580                      |
| 37,770 to 38,909        | 3.5 percent              | 50 percent                      | \$ 340                      |
| 38,910 to 40,059        | 3.5 percent              | 50 percent                      | \$ 110                      |
| 40,060 and up           |                          |                                 | \$ 0                        |

The payment made to a claimant is the amount of the state refund calculated under this subdivision. No payment is allowed if the claimant's household income is \$36,120 or more.

#### Sec. 20. [EDUCATION LEVY REDUCTION APPROPRIATION.]

In addition to any amount appropriated by other law, \$50,557,000 is appropriated to the commissioner of children, families, and learning in fiscal year 2000, \$64,903,000 in fiscal year 2001, and \$65,873,000 in fiscal year 2002 and thereafter to fund a reduction in the statewide general education property tax levy. The fiscal year 2001 appropriation includes \$5,617,000 for 2000 and \$59,286,000 for 2001. The amounts appropriated under this section for fiscal years 2000 and 2001 are appropriated from the property tax reform account; subsequent appropriations are from the general fund.

#### Sec. 21. [REPEALER.]

Minnesota Statutes 1997 Supplement, sections 273.13, subdivision 32; 275.70; 275.71; 275.72; 275.73; and 275.74; and Laws 1997, chapter 231, article 3, section 8, are repealed.

#### Sec. 22. [EFFECTIVE DATE.]

Sections 1 to 21 are effective for taxes payable in 1999 and thereafter and for aid payable in fiscal year 2000 and thereafter.

## ARTICLE 2

### PROPERTY TAXES, LOCAL BONDING AND LEVY AUTHORITY

Section 1. Minnesota Statutes 1997 Supplement, section 272.02, subdivision 1, is amended to read:

Subdivision 1. All property described in this section to the extent herein limited shall be exempt from taxation:

- (1) All public burying grounds.
- (2) All public schoolhouses.
- (3) All public hospitals.
- (4) All academies, colleges, and universities, and all seminaries of learning.
- (5) All churches, church property, and houses of worship.

(6) Institutions of purely public charity except parcels of property containing structures and the structures described in section 273.13, subdivision 25, paragraph (c), clauses (1), (2), and (3), or paragraph (d), other than those that qualify for exemption under clause (25).

(7) All public property exclusively used for any public purpose.

(8) Except for the taxable personal property enumerated below, all personal property and the property described in section 272.03, subdivision 1, paragraphs (c) and (d), shall be exempt.

The following personal property shall be taxable:

(a) personal property which is part of an electric generating, transmission, or distribution system or a pipeline system transporting or distributing water, gas, crude oil, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings and structures;

(b) railroad docks and wharves which are part of the operating property of a railroad company as defined in section 270.80;

(c) personal property defined in section 272.03, subdivision 2, clause (3);

(d) leasehold or other personal property interests which are taxed pursuant to section 272.01, subdivision 2; 273.124, subdivision 7; or 273.19, subdivision 1; or any other law providing the property is taxable as if the lessee or user were the fee owner;

(e) manufactured homes and sectional structures, including storage sheds, decks, and similar removable improvements constructed on the site of a manufactured home, sectional structure, park trailer or travel trailer as provided in section 273.125, subdivision 8, paragraph (f); and

(f) flight property as defined in section 270.071.

(9) Personal property used primarily for the abatement and control of air, water, or land pollution to the extent that it is so used, and real property which is used primarily for abatement and control of air, water, or land pollution as part of an agricultural operation, as a part of a centralized treatment and recovery facility operating under a permit issued by the Minnesota pollution control agency pursuant to chapters 115 and 116 and Minnesota Rules, parts 7001.0500 to 7001.0730, and 7045.0020 to 7045.1260, as a wastewater treatment facility and for the treatment, recovery, and stabilization of metals, oils, chemicals, water, sludges, or inorganic materials from hazardous industrial wastes, or as part of an electric generation system. For purposes of this clause, personal property includes ponderous machinery and equipment used in a business or production activity that at common law is considered real property.

Any taxpayer requesting exemption of all or a portion of any real property or any equipment or device, or part thereof, operated primarily for the control or abatement of air or water pollution shall file an application with the commissioner of revenue. The equipment or device shall meet standards, rules, or criteria prescribed by the Minnesota pollution control agency, and must be installed or operated in accordance with a permit or order issued by that agency. The Minnesota pollution control agency shall upon request of the commissioner furnish information or advice to the commissioner. On determining that property qualifies for exemption, the commissioner shall issue an order exempting the property from taxation. The equipment or device shall continue to be

exempt from taxation as long as the permit issued by the Minnesota pollution control agency remains in effect.

(10) Wetlands. For purposes of this subdivision, "wetlands" means: (i) land described in section 103G.005, subdivision 15a; (ii) land which is mostly under water, produces little if any income, and has no use except for wildlife or water conservation purposes, provided it is preserved in its natural condition and drainage of it would be legal, feasible, and economically practical for the production of livestock, dairy animals, poultry, fruit, vegetables, forage and grains, except wild rice; or (iii) land in a wetland preservation area under sections 103F.612 to 103F.616. "Wetlands" under items (i) and (ii) include adjacent land which is not suitable for agricultural purposes due to the presence of the wetlands, but do not include woody swamps containing shrubs or trees, wet meadows, meandered water, streams, rivers, and floodplains or river bottoms. Exemption of wetlands from taxation pursuant to this section shall not grant the public any additional or greater right of access to the wetlands or diminish any right of ownership to the wetlands.

(11) Native prairie. The commissioner of the department of natural resources shall determine lands in the state which are native prairie and shall notify the county assessor of each county in which the lands are located. Pasture land used for livestock grazing purposes shall not be considered native prairie for the purposes of this clause. Upon receipt of an application for the exemption provided in this clause for lands for which the assessor has no determination from the commissioner of natural resources, the assessor shall refer the application to the commissioner of natural resources who shall determine within 30 days whether the land is native prairie and notify the county assessor of the decision. Exemption of native prairie pursuant to this clause shall not grant the public any additional or greater right of access to the native prairie or diminish any right of ownership to it.

(12) Property used in a continuous program to provide emergency shelter for victims of domestic abuse, provided the organization that owns and sponsors the shelter is exempt from federal income taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1992, notwithstanding the fact that the sponsoring organization receives funding under section 8 of the United States Housing Act of 1937, as amended.

(13) If approved by the governing body of the municipality in which the property is located, property not exceeding one acre which is owned and operated by any senior citizen group or association of groups that in general limits membership to persons age 55 or older and is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes, no part of the net earnings of which inures to the benefit of any private shareholders; provided the property is used primarily as a clubhouse, meeting facility, or recreational facility by the group or association and the property is not used for residential purposes on either a temporary or permanent basis.

(14) To the extent provided by section 295.44, real and personal property used or to be used primarily for the production of hydroelectric or hydromechanical power on a site owned by the federal government, the state, or a local governmental unit which is developed and operated pursuant to the provisions of section 103G.535.

(15) If approved by the governing body of the municipality in which the property is located, and if construction is commenced after June 30, 1983:

(a) a "direct satellite broadcasting facility" operated by a corporation licensed by the federal communications commission to provide direct satellite broadcasting services using direct broadcast satellites operating in the 12-ghz. band; and

(b) a "fixed satellite regional or national program service facility" operated by a corporation licensed by the federal communications commission to provide fixed satellite-transmitted regularly scheduled broadcasting services using satellites operating in the 6-ghz. band.

An exemption provided by clause (15) shall apply for a period not to exceed five years. When the facility no longer qualifies for exemption, it shall be placed on the assessment rolls as provided in subdivision 4. Before approving a tax exemption pursuant to this paragraph, the governing body of the municipality shall provide an opportunity to the members of the county board of commissioners of the county in which the facility is proposed to be located and the members of

the school board of the school district in which the facility is proposed to be located to meet with the governing body. The governing body shall present to the members of those boards its estimate of the fiscal impact of the proposed property tax exemption. The tax exemption shall not be approved by the governing body until the county board of commissioners has presented its written comment on the proposal to the governing body or 30 days have passed from the date of the transmittal by the governing body to the board of the information on the fiscal impact, whichever occurs first.

(16) Real and personal property owned and operated by a private, nonprofit corporation exempt from federal income taxation pursuant to United States Code, title 26, section 501(c)(3), primarily used in the generation and distribution of hot water for heating buildings and structures.

(17) Notwithstanding section 273.19, state lands that are leased from the department of natural resources under section 92.46.

(18) Electric power distribution lines and their attachments and appurtenances, that are used primarily for supplying electricity to farmers at retail.

(19) Transitional housing facilities. "Transitional housing facility" means a facility that meets the following requirements. (i) It provides temporary housing to individuals, couples, or families. (ii) It has the purpose of reuniting families and enabling parents or individuals to obtain self-sufficiency, advance their education, get job training, or become employed in jobs that provide a living wage. (iii) It provides support services such as child care, work readiness training, and career development counseling; and a self-sufficiency program with periodic monitoring of each resident's progress in completing the program's goals. (iv) It provides services to a resident of the facility for at least three months but no longer than three years, except residents enrolled in an educational or vocational institution or job training program. These residents may receive services during the time they are enrolled but in no event longer than four years. (v) It is owned and operated or under lease from a unit of government or governmental agency under a property disposition program and operated by one or more organizations exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1992. This exemption applies notwithstanding the fact that the sponsoring organization receives financing by a direct federal loan or federally insured loan or a loan made by the Minnesota housing finance agency under the provisions of either Title II of the National Housing Act or the Minnesota housing finance agency law of 1971 or rules promulgated by the agency pursuant to it, and notwithstanding the fact that the sponsoring organization receives funding under Section 8 of the United States Housing Act of 1937, as amended.

(20) Real and personal property, including leasehold or other personal property interests, owned and operated by a corporation if more than 50 percent of the total voting power of the stock of the corporation is owned collectively by: (i) the board of regents of the University of Minnesota, (ii) the University of Minnesota Foundation, an organization exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1992, and (iii) a corporation organized under chapter 317A, which by its articles of incorporation is prohibited from providing pecuniary gain to any person or entity other than the regents of the University of Minnesota; which property is used primarily to manage or provide goods, services, or facilities utilizing or relating to large-scale advanced scientific computing resources to the regents of the University of Minnesota and others.

(21)(a) Small scale wind energy conversion systems installed after January 1, 1991, and used as an electric power source are exempt.

"Small scale wind energy conversion systems" are wind energy conversion systems, as defined in section 216C.06, subdivision 12, including the foundation or support pad, which are (i) used as an electric power source; (ii) located within one county and owned by the same owner; and (iii) produce two megawatts or less of electricity as measured by nameplate ratings.

(b) Medium scale wind energy conversion systems installed after January 1, 1991, are treated as follows: (i) the foundation and support pad are taxable; (ii) the associated supporting and protective structures are exempt for the first five assessment years after they have been

constructed, and thereafter, 30 percent of the market value of the associated supporting and protective structures are taxable; and (iii) the turbines, blades, transformers, and its related equipment, are exempt. "Medium scale wind energy conversion systems" are wind energy conversion systems as defined in section 216C.06, subdivision 12, including the foundation or support pad, which are: (i) used as an electric power source; (ii) located within one county and owned by the same owner; and (iii) produce more than two but equal to or less than 12 megawatts of energy as measured by nameplate ratings.

(c) Large scale wind energy conversion systems installed after January 1, 1991, are treated as follows: 25 percent of the market value of all property is taxable, including (i) the foundation and support pad; (ii) the associated supporting and protective structures; and (iii) the turbines, blades, transformers, and its related equipment. "Large scale wind energy conversion systems" are wind energy conversion systems as defined in section 216C.06, subdivision 12, including the foundation or support pad, which are: (i) used as an electric power source; and (ii) produce more than 12 megawatts of energy as measured by nameplate ratings.

(22) Containment tanks, cache basins, and that portion of the structure needed for the containment facility used to confine agricultural chemicals as defined in section 18D.01, subdivision 3, as required by the commissioner of agriculture under chapter 18B or 18C.

(23) Photovoltaic devices, as defined in section 216C.06, subdivision 13, installed after January 1, 1992, and used to produce or store electric power.

(24) Real and personal property owned and operated by a private, nonprofit corporation exempt from federal income taxation pursuant to United States Code, title 26, section 501(c)(3), primarily used for an ice arena or ice rink, and used primarily for youth and high school programs.

(25) A structure that is situated on real property that is used for:

(i) housing for the elderly or for low- and moderate-income families as defined in Title II of the National Housing Act, as amended through December 31, 1990, and funded by a direct federal loan or federally insured loan made pursuant to Title II of the act; or

(ii) housing lower income families or elderly or handicapped persons, as defined in Section 8 of the United States Housing Act of 1937, as amended.

In order for a structure to be exempt under (i) or (ii), it must also meet each of the following criteria:

(A) is owned by an entity which is operated as a nonprofit corporation organized under chapter 317A;

(B) is owned by an entity which has not entered into a housing assistance payments contract under Section 8 of the United States Housing Act of 1937, or, if the entity which owns the structure has entered into a housing assistance payments contract under Section 8 of the United States Housing Act of 1937, the contract provides assistance for less than 90 percent of the dwelling units in the structure, excluding dwelling units intended for management or maintenance personnel;

(C) operates an on-site congregate dining program in which participation by residents is mandatory, and provides assisted living or similar social and physical support services for residents; and

(D) was not assessed and did not pay tax under chapter 273 prior to the 1991 levy, while meeting the other conditions of this clause.

An exemption under this clause remains in effect for taxes levied in each year or partial year of the term of its permanent financing.

(26) Real and personal property that is located in the Superior National Forest, and owned or leased and operated by a nonprofit organization that is exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1992, and primarily used to provide recreational opportunities for disabled veterans and their families.

(27) Manure pits and appurtenances, which may include slatted floors and pipes, installed or operated in accordance with a permit, order, or certificate of compliance issued by the Minnesota pollution control agency. The exemption shall continue for as long as the permit, order, or certificate issued by the Minnesota pollution control agency remains in effect.

(28) Notwithstanding clause (8), item (a), attached machinery and other personal property which is part of a facility containing a cogeneration system as described in section 216B.166, subdivision 2, paragraph (a), if the cogeneration system has met the following criteria: (i) the system utilizes natural gas as a primary fuel and the cogenerated steam initially replaces steam generated from existing thermal boilers utilizing coal; (ii) the facility developer is selected as a result of a procurement process ordered by the public utilities commission; and (iii) construction of the facility is commenced after July 1, 1994, and before July 1, 1997.

(29) Real property acquired by a home rule charter city, statutory city, county, town, or school district under a lease purchase agreement or an installment purchase contract during the term of the lease purchase agreement as long as and to the extent that the property is used by the city, county, town, or school district and devoted to a public use and to the extent it is not subleased to any private individual, entity, association, or corporation in connection with a business or enterprise operated for profit.

(30) Property owned by a nonprofit charitable organization that qualifies for tax exemption under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1997, that is intended to be used as a business incubator in a high-unemployment county but is not occupied on the assessment date. As used in this clause, a "business incubator" is a facility used for the development of nonretail businesses, offering access to equipment, space, services, and advice to the tenant businesses, for the purpose of encouraging economic development, diversification, and job creation in the area served by the organization, and "high-unemployment county" is a county that had an average annual unemployment rate of 7.9 percent or greater in 1997. Property that qualifies for the exemption under this clause is limited to no more than two contiguous parcels and structures that do not exceed in the aggregate 40,000 square feet.

Sec. 2. Minnesota Statutes 1997 Supplement, section 272.115, subdivision 4, is amended to read:

Subd. 4. [ELIGIBILITY FOR HOMESTEAD STATUS.] No real estate sold or transferred on or after January 1, 1993, for which a certificate of real estate value is required under subdivision 1 of this section shall be classified as a homestead, unless (1) a certificate of value has been filed with the county auditor in accordance with this section, or (2) the real estate was conveyed by the federal government, the state, a political subdivision of the state, or combination of them to a person otherwise eligible to receive homestead classification of the property.

This subdivision shall apply to any real estate taxes that are payable the year or years following the sale or transfer of the property.

Sec. 3. Minnesota Statutes 1997 Supplement, section 272.115, subdivision 5, is amended to read:

Subd. 5. [EXEMPTION FOR GOVERNMENT BODIES.] A certificate of real estate value is not required when the real estate is being conveyed to ~~or by a public authority or agency of the federal government,~~ the state of Minnesota, a political subdivision of the state, or any combination of them, for highway or roadway right-of-way purposes, provided that the authority, agency, or governmental unit has agreed to file a list of the real estate conveyed by ~~or to the authority,~~ agency, or governmental unit with the commissioner of revenue by June 1 of the year following the year of the conveyance.

Sec. 4. Minnesota Statutes 1997 Supplement, section 273.124, subdivision 14, is amended to read:

Subd. 14. [AGRICULTURAL HOMESTEADS; SPECIAL PROVISIONS.] (a) Real estate of less than ten acres that is the homestead of its owner must be classified as class 2a under section 273.13, subdivision 23, paragraph (a), if:

(1) the parcel on which the house is located is contiguous on at least two sides to (i) agricultural land, (ii) land owned or administered by the United States Fish and Wildlife Service, or (iii) land administered by the department of natural resources on which in lieu taxes are paid under sections 477A.11 to 477A.14;

(2) its owner also owns a noncontiguous parcel of agricultural land that is at least 20 acres;

(3) the noncontiguous land is located not farther than two townships or cities, or a combination of townships or cities from the homestead; and

(4) the agricultural use value of the noncontiguous land and farm buildings is equal to at least 50 percent of the market value of the house, garage, and one acre of land.

Homesteads initially classified as class 2a under the provisions of this paragraph shall remain classified as class 2a, irrespective of subsequent changes in the use of adjoining properties, as long as the homestead remains under the same ownership, the owner owns a noncontiguous parcel of agricultural land that is at least 20 acres, and the agricultural use value qualifies under clause (4).

(b) Except as provided in paragraph (d), noncontiguous land shall be included as part of a homestead under section 273.13, subdivision 23, paragraph (a), only if the homestead is classified as class 2a and the detached land is located in the same township or city, or not farther than two townships or cities or combination thereof from the homestead.

(c) Agricultural land used for purposes of a homestead and actively farmed by a person holding a vested remainder interest in it must be classified as a homestead under section 273.13, subdivision 23, paragraph (a). If agricultural land is classified class 2a, any other dwellings on the land used for purposes of a homestead by persons holding vested remainder interests who are actively engaged in farming the property, and up to one acre of the land surrounding each homestead and reasonably necessary for the use of the dwelling as a home, must also be assessed class 2a.

(d) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 1997 assessment shall remain classified as agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of the April 1997 floods;

(2) the property is located in the county of Polk, Clay, Kittson, Marshall, Norman, or Wilkin;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1997 assessment year and continue to be used for agricultural purposes;

(4) the dwelling occupied by the owner is located in Minnesota and is within 30 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to the 1997 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in homestead dwelling. For taxes payable in 1998, the owner must notify the assessor by December 1, 1997. For taxes payable in 1999 and later years, additional notifications to the assessor are not required if the property continues to meet the requirements of this paragraph.

Sec. 5. Minnesota Statutes 1997 Supplement, section 273.126, subdivision 3, is amended to read:

Subd. 3. [RENT RESTRICTIONS.] (a) In order to qualify under class 4d, a unit must be subject to a rent restriction agreement with the housing finance agency for a period of at least five years. The agreement must be in effect and apply to the rents to be charged for the year in which the property taxes are payable. The agreement must provide that the restrictions apply to each year of the period, regardless of whether the unit is occupied by an individual with qualifying income or whether class 4d applies. The rent restriction agreement must provide for rents for the unit to be

no higher than 30 percent of 60 percent of the median gross income. The definition of median gross income specified in this section applies. "Rent" means "gross rent" as defined in section 42(g)(2)(B) of the Internal Revenue Code of 1986, as amended through December 31, 1996.

(b) Notwithstanding the maximum rent levels permitted, 20 percent of the units in the metropolitan area and ten percent of the units in greater Minnesota qualifying under class 4d must be made available to a family with a section 8 certificate or voucher.

(c) The rent restriction agreement runs with the land and binds any successor to title to the property, without regard to whether the successor had actual notice or knowledge of the agreement. The owner must promptly record the agreement in the office of the county recorder or must file it in the office of the registrar of titles, in the county where the property is located. If the agreement is not recorded, class 4d does not apply to the property.

Sec. 6. Minnesota Statutes 1997 Supplement, section 275.065, subdivision 3, is amended to read:

Subd. 3. [NOTICE OF PROPOSED PROPERTY TAXES.] (a) The county auditor shall prepare and the county treasurer shall deliver after November 10 and on or before November 24 each year, by first class mail to each taxpayer at the address listed on the county's current year's assessment roll, a notice of proposed property taxes.

(b) The commissioner of revenue shall prescribe the form of the notice.

(c) The notice must inform taxpayers that it contains the amount of property taxes each taxing authority proposes to collect for taxes payable the following year. In the case of a town, or in the case of the state determined portion of the school district levy, the final tax amount will be its proposed tax. The notice must clearly state that each taxing authority, including regional library districts established under section 134.201, and including the metropolitan taxing districts as defined in paragraph (i), but excluding all other special taxing districts and towns, will hold a public meeting to receive public testimony on the proposed budget and proposed or final property tax levy, or, in case of a school district, on the current budget and proposed property tax levy. It must clearly state the time and place of each taxing authority's meeting and an address where comments will be received by mail.

(d) The notice must state for each parcel:

(1) the market value of the property as determined under section 273.11, and used for computing property taxes payable in the following year and for taxes payable in the current year as each appears in the records of the county assessor on November 1 of the current year; and, in the case of residential property, whether the property is classified as homestead or nonhomestead. The notice must clearly inform taxpayers of the years to which the market values apply and that the values are final values;

(2) the items listed below, shown separately by county, city or town, state determined school tax net of the education homestead credit under section 273.1382, voter approved school levy, other local school levy, and the sum of the special taxing districts, and as a total of all taxing authorities:

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

(ii) the tax change due to spending factors, defined as the proposed tax minus the constant spending tax amount;

(iii) the tax change due to other factors, defined as the constant spending tax amount minus the actual current year tax; and

(iv) the proposed tax amount.

In the case of a town or the state determined school tax, the final tax shall also be its proposed tax unless the town changes its levy at a special town meeting under section 365.52. If a school district has certified under section 124A.03, subdivision 2, that a referendum will be held in the

school district at the November general election, the county auditor must note next to the school district's proposed amount that a referendum is pending and that, if approved by the voters, the tax amount may be higher than shown on the notice. In the case of the city of Minneapolis, the levy for the Minneapolis library board and the levy for Minneapolis park and recreation shall be listed separately from the remaining amount of the city's levy. In the case of a parcel where tax increment or the fiscal disparities areawide tax under chapter 276A or 473F applies, the proposed tax levy on the captured value or the proposed tax levy on the tax capacity subject to the areawide tax must each be stated separately and not included in the sum of the special taxing districts; and

(3) the increase or decrease between the total taxes payable in the current year and the total proposed taxes, expressed as a percentage.

For purposes of this section, the amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount.

(e) The notice must clearly state that the proposed or final taxes do not include the following:

(1) special assessments;

(2) levies approved by the voters after the date the proposed taxes are certified, including bond referenda, school district levy referenda, and levy limit increase referenda;

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

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

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

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

(g) If the notice the taxpayer receives under this section lists the property as nonhomestead, and satisfactory documentation is provided to the county assessor by the applicable deadline, and the property qualifies for the homestead classification in that assessment year, the assessor shall reclassify the property to homestead for taxes payable in the following year.

(h) In the case of class 4 residential property used as a residence for lease or rental periods of 30 days or more, the taxpayer must either:

(1) mail or deliver a copy of the notice of proposed property taxes to each tenant, renter, or lessee; or

(2) post a copy of the notice in a conspicuous place on the premises of the property.

The notice must be mailed or posted by the taxpayer by November 27 or within three days of receipt of the notice, whichever is later. A taxpayer may notify the county treasurer of the address of the taxpayer, agent, caretaker, or manager of the premises to which the notice must be mailed in order to fulfill the requirements of this paragraph.

(i) For purposes of this subdivision, subdivisions 5a and 6, "metropolitan special taxing districts" means the following taxing districts in the seven-county metropolitan area that levy a property tax for any of the specified purposes listed below:

(1) metropolitan council under section 473.132, 473.167, 473.249, 473.325, 473.446, 473.521, 473.547, or 473.834;

(2) metropolitan airports commission under section 473.667, 473.671, or 473.672; and

(3) metropolitan mosquito control commission under section 473.711.

For purposes of this section, any levies made by the regional rail authorities in the county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be included with the appropriate county's levy and shall be discussed at that county's public hearing.

(j) If a statutory or home rule charter city or a town exercises the local levy option provided by section 473.388, subdivision 7, it may include in the notice of its proposed taxes a statement of the amount by which its proposed taxes are attributable to its exercise of the option, together with a statement that the levy of the metropolitan council was decreased by a similar amount because of exercise of that option.

Sec. 7. Minnesota Statutes 1997 Supplement, section 275.065, subdivision 6, is amended to read:

Subd. 6. [PUBLIC HEARING; ADOPTION OF BUDGET AND LEVY.] (a) For purposes of this section, the following terms shall have the meanings given:

(1) "Initial hearing" means the first and primary hearing held to discuss the taxing authority's proposed budget and proposed property tax levy for taxes payable in the following year, or, for school districts, the current budget and the proposed property tax levy for taxes payable in the following year.

(2) "Continuation hearing" means a hearing held to complete the initial hearing, if the initial hearing is not completed on its scheduled date.

(3) "Subsequent hearing" means the hearing held to adopt the taxing authority's final property tax levy, and, in the case of taxing authorities other than school districts, the final budget, for taxes payable in the following year.

(b) Between November 29 and December 20, the governing bodies of a city that has a population over 500, county, metropolitan special taxing districts as defined in subdivision 3, paragraph (i), and regional library districts shall each hold an initial public hearing to discuss and seek public comment on its final budget and property tax levy for taxes payable in the following year, and the governing body of the school district shall hold an initial public hearing to review its current budget and proposed property tax levy for taxes payable in the following year. The metropolitan special taxing districts shall be required to hold only a single joint initial public hearing, the location of which will be determined by the affected metropolitan agencies.

(c) The initial hearing must be held after 5:00 p.m. if scheduled on a day other than Saturday. No initial hearing may be held on a Sunday.

(d) At the initial hearing under this subdivision, the percentage increase in property taxes proposed by the taxing authority, if any, and the specific purposes for which property tax revenues are being increased must be discussed. During the discussion, the governing body shall hear comments regarding a proposed increase and explain the reasons for the proposed increase. The public shall be allowed to speak and to ask questions. At the public hearing, the school district must also provide and discuss information on the distribution of its revenues by revenue source, and the distribution of its spending by program area.

(e) If the initial hearing is not completed on its scheduled date, the taxing authority must announce, prior to adjournment of the hearing, the date, time, and place for the continuation of the hearing. The continuation hearing must be held at least five business days but no more than 14 business days after the initial hearing. A continuation hearing may not be held later than December 20 except as provided in paragraphs (f) and (g). A continuation hearing must be held after 5:00 p.m. if scheduled on a day other than Saturday. No continuation hearing may be held on a Sunday.

(f) The governing body of a county shall hold its initial hearing on the second Tuesday in December each year, and may hold additional initial hearings on other dates before December 20 if necessary for the convenience of county residents. If the county needs a continuation of its hearing, the continuation hearing shall be held on the third Tuesday in December. If the third

Tuesday in December falls on December 21, the county's continuation hearing shall be held on Monday, December 20.

(g) The metropolitan special taxing districts shall hold a joint initial public hearing on the first ~~Monday~~ Wednesday of December. A continuation hearing, if necessary, shall be held on the second ~~Monday~~ Wednesday of December even if that second ~~Monday~~ Wednesday is after December 10.

(h) The county auditor shall provide for the coordination of initial and continuation hearing dates for all school districts and cities within the county to prevent conflicts under clauses (i) and (j).

(i) By August 10, each school board and the board of the regional library district shall certify to the county auditors of the counties in which the school district or regional library district is located the dates on which it elects to hold its initial hearing and any continuation hearing. If a school board or regional library district does not certify these dates by August 10, the auditor will assign the initial and continuation hearing dates. The dates elected or assigned must not conflict with the initial and continuation hearing dates of the county or the metropolitan special taxing districts.

(j) By August 20, the county auditor shall notify the clerks of the cities within the county of the dates on which school districts and regional library districts have elected to hold their initial and continuation hearings. At the time a city certifies its proposed levy under subdivision 1 it shall certify the dates on which it elects to hold its initial hearing and any continuation hearing. Until September 15, the first and second Mondays of December are reserved for the use of cities. If a city does not certify these its hearing dates by September 15, the auditor shall assign the initial and continuation hearing dates. The dates elected or assigned for the initial hearing must not conflict with the initial hearing dates of the county, metropolitan special taxing districts, regional library districts, or school districts within which the city is located. To the extent possible, the dates of the city's continuation hearing should not conflict with the continuation hearing dates of the county, metropolitan special taxing districts, regional library districts, or school districts within which the city is located. This paragraph does not apply to cities of 500 population or less.

(k) The county initial hearing date and the city, metropolitan special taxing district, regional library district, and school district initial hearing dates must be designated on the notices required under subdivision 3. The continuation hearing dates need not be stated on the notices.

(l) At a subsequent hearing, each county, school district, city over 500 population, and metropolitan special taxing district may amend its proposed property tax levy and must adopt a final property tax levy. Each county, city over 500 population, and metropolitan special taxing district may also amend its proposed budget and must adopt a final budget at the subsequent hearing. The final property tax levy must be adopted prior to adopting the final budget. A school district is not required to adopt its final budget at the subsequent hearing. The subsequent hearing of a taxing authority must be held on a date subsequent to the date of the taxing authority's initial public hearing. If a continuation hearing is held, the subsequent hearing must be held either immediately following the continuation hearing or on a date subsequent to the continuation hearing. The subsequent hearing may be held at a regularly scheduled board or council meeting or at a special meeting scheduled for the purposes of the subsequent hearing. The subsequent hearing of a taxing authority does not have to be coordinated by the county auditor to prevent a conflict with an initial hearing, a continuation hearing, or a subsequent hearing of any other taxing authority. All subsequent hearings must be held prior to five working days after December 20 of the levy year. The date, time, and place of the subsequent hearing must be announced at the initial public hearing or at the continuation hearing.

(m) The property tax levy certified under section 275.07 by a city of any population, county, metropolitan special taxing district, regional library district, or school district must not exceed the proposed levy determined under subdivision 1, except by an amount up to the sum of the following amounts:

(1) the amount of a school district levy whose voters approved a referendum to increase taxes under section 124.82, subdivision 3, 124A.03, subdivision 2, or 124B.03, subdivision 2, after the proposed levy was certified;

(2) the amount of a city or county levy approved by the voters after the proposed levy was certified;

(3) the amount of a levy to pay principal and interest on bonds approved by the voters under section 475.58 after the proposed levy was certified;

(4) the amount of a levy to pay costs due to a natural disaster occurring after the proposed levy was certified, if that amount is approved by the commissioner of revenue under subdivision 6a;

(5) the amount of a levy to pay tort judgments against a taxing authority that become final after the proposed levy was certified, if the amount is approved by the commissioner of revenue under subdivision 6a;

(6) the amount of an increase in levy limits certified to the taxing authority by the commissioner of children, families, and learning or the commissioner of revenue after the proposed levy was certified; and

(7) the amount required under section 124.755.

(n) This subdivision does not apply to towns and special taxing districts other than regional library districts and metropolitan special taxing districts.

(o) Notwithstanding the requirements of this section, the employer is required to meet and negotiate over employee compensation as provided for in chapter 179A.

Sec. 8. Minnesota Statutes 1996, section 275.07, is amended by adding a subdivision to read:

Subd. 5. [REVISED FINAL LEVY.] (a) If the final levy of a taxing jurisdiction certified to the county auditor is incorrect due to an error in the deduction of the aid received under section 273.1398, subdivision 2, in determining the certified levy as required under subdivision 1, the taxing jurisdiction may apply to the commissioner of revenue to increase the levy and recertify it in the correct amount. The commissioner must receive the request by January 2.

(b) If the commissioner determines that the requirements of paragraph (a) have been met, the commissioner shall notify the taxing jurisdiction that the revised final levy has been approved. Upon receipt of the approval, but no later than January 15, the governing body of the taxing jurisdiction shall adopt the revised final levy and the taxing jurisdiction shall recertify the revised final levy to the county auditor. The county auditor shall use the revised final levy to compute the tax rate for the taxing jurisdiction.

(c) The county auditor shall report to the commissioner of revenue the revised final levy used to determine the tax rates for the taxing jurisdiction. The provisions of section 275.065, subdivisions 6, 6a, and 7 do not apply to the revised final levy for the taxing jurisdiction certified under this section.

(d) The taxing jurisdiction must publish in an official newspaper of general circulation in the taxing jurisdiction a notice of its revised final levy. The notice shall contain examples of the tax impact of the revised final levy on homestead, apartment, and commercial classes of property in the taxing jurisdiction. The county auditor shall assist the taxing jurisdiction in preparing the examples for the publication.

Sec. 9. Minnesota Statutes 1997 Supplement, section 275.70, is amended by adding a subdivision to read:

Subd. 6. [MATCHING FUND REQUIREMENTS.] The special levy provided in subdivision 5, clause (8), does not include the increased direct and indirect costs related to general increases in program costs where there is no mandated increase regarding the matching fund requirements. Specifically, but without limitation, the following provisions apply to the special levy authorization in subdivision 5, clause (8): (1) increases in direct or indirect income maintenance administrative costs are not included; (2) increases for social services and social services administration are included, but only to the extent that the minimum local share amount needed to receive community social service aids exceeds the amount levied for social services and social

services administration for the taxes payable year 1997; and (3) increases in county costs for Title IV-E Foster Care Services over the amount levied for the taxes payable year 1997 are included to the extent the amount from both years represents the local matching fund requirement for the federal grant.

Sec. 10. Minnesota Statutes 1997 Supplement, section 287.08, is amended to read:

287.08 [TAX, HOW PAYABLE; RECEIPTS.]

(a) The tax imposed by sections 287.01 to 287.12 shall be paid to the treasurer of the county in which the mortgaged land or some part thereof is situated at or before the time of filing the mortgage for record or registration. The treasurer shall endorse receipt on the mortgage, countersigned by the county auditor, who shall charge the amount to the treasurer and such receipt shall be recorded with the mortgage, and such receipt of the record thereof shall be conclusive proof that the tax has been paid to the amount therein stated and authorize any county recorder to record the mortgage. Its form, in substance, shall be "registration tax hereon of ..... dollars paid." If the mortgages be exempt from taxation the endorsement shall be "exempt from registration tax," to be signed in either case by the treasurer as such, and in case of payment to be countersigned by the auditor. In case the treasurer shall be unable to determine whether a claim of exemption should be allowed, the tax shall be paid as in the case of a taxable mortgage.

(b) Upon written application of the taxpayer, the county treasurer may refund in whole or in part any tax which has been erroneously paid, or a person having paid a mortgage registry tax amount may seek a refund of such tax, or other appropriate relief, by bringing an action in tax court in the county in which the tax was paid, within 60 days of the payment. The action is commenced by the serving of a petition for relief on the county treasurer, and by filing a copy with the court. The county attorney shall defend the action. The county treasurer shall notify the treasurer of each county that has or would receive a portion of the tax as paid.

(c) If the county treasurer determines a refund should be paid, or if a refund is ordered, the county treasurer of each county that actually received a portion of the tax shall immediately pay a proportionate share of three percent of the refund using any available county funds. The county treasurer of each county which received, or would have received, a portion of the tax shall also pay their county's proportionate share of the remaining 97 percent of the court-ordered refund on or before the tenth day of the following month using solely the mortgage registry tax funds that would be paid to the commissioner of revenue on that date under section 287.12. If the funds on hand under this procedure are insufficient to fully fund 97 percent of the court-ordered refund, the county treasurer of the county in which the action was brought shall file a claim with the commissioner of revenue under section 16A.48 for the remaining portion of 97 percent of the refund, and shall pay over the remaining portion upon receipt of a warrant from the state issued pursuant to the claim.

(d) When any such mortgage covers real property situate in more than one county in this state the whole of such tax shall be paid to the treasurer of the county where the mortgage is first presented for record or registration, and the payment shall be receipted and countersigned as above provided. If the principal debt or obligation secured by such a multiple county mortgage exceeds \$1,000,000, the tax shall be divided and paid over by the county treasurer receiving the same, on or before the tenth day of each month after receipt thereof, to the county or counties entitled thereto in the ratio which the market value of the real property covered by the mortgage in each county bears to the market value of all the property described in the mortgage. In making such division and payment the county treasurer shall send therewith a statement giving the description of the property described in the mortgage and the market value of the part thereof situate in each county. For the purpose aforesaid, the treasurer of any county may require the treasurer of any other county to certify to the former the market valuation of any tract of land in any such mortgage.

Sec. 11. Minnesota Statutes 1996, section 462.396, subdivision 2, is amended to read:

Subd. 2. [BUDGET; HEARING; LEVY LIMITS.] On or before August 20 each year, the commission shall submit its proposed budget for the ensuing calendar year showing anticipated receipts, disbursements and ad valorem tax levy with a written notice of the time and place of the

public hearing on the proposed budget to each county auditor and municipal clerk within the region and those town clerks who in advance have requested a copy of the budget and notice of public hearing. On or before September 15 each year, the commission shall adopt, after a public hearing held not later than September 15, a budget covering its anticipated receipts and disbursements for the ensuing year and shall decide upon the total amount necessary to be raised from ad valorem tax levies to meet its budget. After adoption of the budget and no later than September 15, the secretary of the commission shall certify to the auditor of each county within the region the county share of the tax, which shall be an amount bearing the same proportion to the total levy agreed on by the commission as the net tax capacity of the county bears to the net tax capacity of the region. (1) For taxes levied in 1990 and thereafter 1998, the maximum amounts of levies made for the purposes of sections 462.381 to 462.398 are the following amounts, less the sum of regional planning grants from the commissioner to that region: for Region 1, \$180,337; for Region 2, \$150,000 \$180,000; for Region 3, \$353,110; for Region 5, \$195,865; for Region 6E, \$197,177; for Region 6W, \$150,000 \$180,000; for Region 7E, \$158,653 \$180,000; for Region 8, \$206,107; for Region 9, \$343,572. (2) For taxes levied in 1999 and thereafter, the maximum amount that may be levied by each commission shall be the amount authorized in clause (1), or 103 percent of the amount levied in the previous year, whichever is greater. The auditor of each county in the region shall add the amount of any levy made by the commission within the limits imposed by this subdivision to other tax levies of the county for collection by the county treasurer with other taxes. When collected the county treasurer shall make settlement of the taxes with the commission in the same manner as other taxes are distributed to political subdivisions.

Sec. 12. Minnesota Statutes 1997 Supplement, section 462A.071, subdivision 2, is amended to read:

Subd. 2. [APPLICATION.] (a) In order to qualify for certification under subdivision 1, the owner or manager of the property must annually apply to the agency. The application must be in the form prescribed by the agency, contain the information required by the agency, and be submitted by the date and time specified by the agency.

(b) Each application must include:

- (1) the property tax identification number;
- (2) the number, type, and size of units the applicant seeks to qualify as low-income housing under class 4d;
- (3) the number, type, and size of units in the property for which the applicant is not seeking qualification, if any;
- (4) a certification that the property has been inspected by a qualified inspector within the past three years and meets the minimum housing quality standards or is exempt from the inspection requirement under subdivision 4;
- (5) a statement indicating the ~~building is~~ qualifying units in compliance with the income limits;
- (6) an executed agreement to restrict rents meeting the requirements specified by the agency or executed leases for the units for which qualification as low-income housing as class 4d under section 273.13 is sought and the rent schedule; and
- (7) any additional information the agency deems appropriate to require.

(c) The applicant must pay a per-unit application fee to be set by the agency. The application fee charged by the agency must approximately equal the costs of processing and reviewing the applications. The fee must be deposited in the general housing development fund.

Sec. 13. Minnesota Statutes 1997 Supplement, section 462A.071, subdivision 4, is amended to read:

Subd. 4. [MINIMUM HOUSING QUALITY STANDARDS.] (a) To qualify for taxation under class 4d under section 273.13, a unit must meet ~~both~~ the housing maintenance code of the local unit of government in which the unit is located, if such a code has been adopted, ~~and~~ or the

housing quality standards adopted by the United States Department of Housing and Urban Development, if no local housing maintenance code has been adopted.

(b) In order to meet the minimum housing quality standards, a building must be inspected by an independent designated inspector at least once every three years. The inspector must certify that the building complies with the minimum standards. The property owner must pay the cost of the inspection.

(c) The agency may exempt from the inspection requirement housing units that are financed by a governmental entity and subject to regular inspection or other compliance checks with regard to minimum housing quality. Written certification must be supplied to show that these exempt units have been inspected within the last three years and comply with the requirements under the public financing or local requirements.

Sec. 14. Minnesota Statutes 1997 Supplement, section 462A.071, subdivision 8, is amended to read:

Subd. 8. [PENALTIES.] (a) The penalties provided by this subdivision apply to each unit that received class 4d taxation for a year and failed to meet the requirements of section 273.126 and this section.

(b) If the owner or manager does not comply with the rent restriction agreement, or does not comply with the income restrictions or, minimum housing quality standards, or the section 8 availability requirements, a penalty applies equal to the increased taxes that would have been imposed if the property unit had not been classified under class 4d for the year in which restrictions were violated, plus an additional amount equal to ten percent of the increased taxes. The provisions of section 279.03 apply to the amount of increased taxes that would have been imposed if a unit had not been classified under class 4d for the year in which restrictions were violated.

(c) If the agency finds that the violations were inadvertent and insubstantial, a penalty of \$50 per unit per year applies in lieu of the penalty specified under paragraph (b). In order to qualify under this paragraph, violations of the minimum housing quality standards must be corrected within a reasonable period of time and rent charged in excess of the agreement must be rebated to the tenants.

(d) The agency may abate the penalties under this subdivision for reasonable cause.

(e) Penalties assessed under paragraph (c) are payable to the agency and must be deposited in the general housing development fund. If an owner or manager fails to timely pay a penalty imposed under paragraph (c), the agency may choose to:

(1) impose the penalty under paragraph (b); or

(2) certify the penalty under paragraph (c) to the auditor for collection as additional taxes.

The agency shall certify to the county auditor penalties assessed under paragraph (b) and clause (2). The auditor shall impose and collect the certified penalties as additional taxes which will be distributed to taxing districts in the same manner as property taxes on the property.

Sec. 15. Minnesota Statutes 1996, section 473.39, is amended by adding a subdivision to read:

Subd. 1e. [OBLIGATIONS.] In addition to the authority in subdivisions 1a, 1b, 1c, and 1d, the council may issue certificates of indebtedness, bonds, or other obligations under this section in an amount not exceeding \$32,500,000, which may be used for capital expenditures as prescribed in the council's transit capital improvement program and for related costs, including the costs of issuance and sale of the obligations.

Sec. 16. Minnesota Statutes 1997 Supplement, section 477A.011, subdivision 36, is amended to read:

Subd. 36. [CITY AID BASE.] (a) Except as provided in paragraphs (b), (c), and (d), "city aid

base" means, for each city, the sum of the local government aid and equalization aid it was originally certified to receive in calendar year 1993 under Minnesota Statutes 1992, section 477A.013, subdivisions 3 and 5, and the amount of disparity reduction aid it received in calendar year 1993 under Minnesota Statutes 1992, section 273.1398, subdivision 3.

(b) For aids payable in 1996 and thereafter, a city that in 1992 or 1993 transferred an amount from governmental funds to its sewer and water fund, which amount exceeded its net levy for taxes payable in the year in which the transfer occurred, has a "city aid base" equal to the sum of (i) its city aid base, as calculated under paragraph (a), and (ii) one-half of the difference between its city aid distribution under section 477A.013, subdivision 9, for aids payable in 1995 and its city aid base for aids payable in 1995.

(c) The city aid base for any city with a population less than 500 is increased by \$40,000 for aids payable in calendar year 1995 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$40,000 for aids payable in calendar year 1995 only, provided that:

- (i) the average total tax capacity rate for taxes payable in 1995 exceeds 200 percent;
- (ii) the city portion of the tax capacity rate exceeds 100 percent; and
- (iii) its city aid base is less than \$60 per capita.

(d) The city aid base for a city is increased by \$20,000 in 1998 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$20,000 in calendar year 1998 only, provided that:

- (i) the city has a population in 1994 of 2,500 or more;
- (ii) the city is located in a county, outside of the metropolitan area, which contains a city of the first class;
- (iii) the city's net tax capacity used in calculating its 1996 aid under section 477A.013 is less than \$400 per capita; and
- (iv) at least four percent of the total net tax capacity, for taxes payable in 1996, of property located in the city is classified as railroad property.

(e) The city aid base for a city is increased by \$200,000 in 1999 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 1999 only, provided that:

- (i) the city was incorporated as a statutory city after December 1, 1993;
- (ii) its city aid base does not exceed \$5,600; and
- (iii) the city had a population in 1996 of 5,000 or more.

Sec. 17. Laws 1971, chapter 773, section 1, subdivision 2, as amended by Laws 1974, chapter 351, section 5, Laws 1976, chapter 234, section 7, Laws 1978, chapter 788, section 1, Laws 1981, chapter 369, section 1, Laws 1983, chapter 302, section 1, Laws 1988, chapter 513, section 1, and Laws 1992, chapter 511, article 9, section 23, is amended to read:

Subd. 2. For each of the years through 1998 2003, the city of St. Paul is authorized to issue bonds in the aggregate principal amount of ~~\$8,000,000~~ \$15,000,000 for each year; or in an amount equal to one-fourth of one percent of the assessors estimated market value of taxable property in St. Paul, whichever is greater, provided that no more than ~~\$8,000,000~~ \$15,000,000 of bonds is authorized to be issued in any year, unless St. Paul's local general obligation debt as defined in this section is less than six percent of market value calculated as of December 31 of the preceding year; but at no time shall the aggregate principal amount of bonds authorized exceed ~~\$15,700,000 in 1992, \$16,600,000 in 1993, \$16,600,000 in 1994, \$16,600,000 in 1995, \$17,500,000 in 1996, \$17,500,000 in 1997, and \$18,000,000 in 1998, \$18,000,000 in 1999, \$19,000,000 in 2000, \$19,000,000 in 2001, \$19,500,000 in 2002, and \$20,000,000 in 2003.~~

Sec. 18. Laws 1971, chapter 773, section 1, as amended by Laws 1974, chapter 351, section 5, subdivision 1, Laws 1976, chapter 234, section 1, Laws 1978, chapter 788, section 1, Laws 1981, chapter 369, section 1, and Laws 1983, chapter 302, section 1, is amended to read:

Section 1. [ST. PAUL, CITY OF; CAPITAL IMPROVEMENT PROGRAM.]

Subdivision 1. Notwithstanding any provision of the charter of the city of St. Paul, the council of said city shall have power by a resolution adopted by five affirmative votes of all its members to authorize the issuance and sale of general obligation bonds of the city in the years stated and in the aggregate annual amounts not to exceed the limits prescribed in subdivision 2 of this section for the payment of which the full faith and credit of the city is irrevocably pledged.

Subd. 2. For each of the years 1983, 1984, 1985, 1986, 1987, and 1988 the city of St. Paul is authorized to issue bonds in the aggregate principal amount of \$8,000,000 for each year; or in an amount equal to one-fourth of one percent of the assessors estimated market value of taxable property in St. Paul, whichever is greater, provided that no more than \$8,000,000 of bonds is authorized to be issued in any year, unless St. Paul's local general obligation debt as defined in this section is less than six percent of market value calculated as of December 31 of the preceding year; but at no time shall the aggregate principal amount of bonds authorized exceed \$9,000,000 in 1983, \$9,500,000 in 1984, \$10,100,000 in 1985, \$10,700,000 in 1986, \$11,300,000 in 1987, and \$12,000,000 in 1988.

Subd. 3. For purposes of this section, St. Paul's general obligation debt shall consist of the principal amount of all outstanding bonds of (1) the city of St. Paul, the housing and redevelopment authority of St. Paul, the civic center authority of St. Paul, and the port authority of St. Paul, for which the full faith and credit of the city or any of the foregoing authorities has been pledged; (2) Independent School District 625, for which the full faith and credit of the district has been pledged; and (3) the county of Ramsey, for which the full faith and credit of the county has been pledged, reduced by an amount equal to the principal amount of the outstanding bonds multiplied by a figure, the numerator of which is equal to the assessed value net tax capacity of property within the county outside of the city of St. Paul and the denominator of which is equal to the assessed value net tax capacity of the county.

There shall be deducted before making the foregoing computations the outstanding principal amount of all refunded bonds, all tax or aid anticipation certificates of indebtedness of the city, the authorities, the school district and the county for which the full faith and credit of the bodies has been pledged and all tax increment financed bonds which have not used, for the prior three consecutive years, general tax levies or capitalized interest to support annual principal and interest payments.

Sec. 19. Laws 1971, chapter 773, section 2, as amended by Laws 1978, chapter 788, section 2, Laws 1983, chapter 302, section 2, Laws 1988, chapter 513, section 2, and Laws 1992, chapter 511, article 9, section 24, is amended to read:

Sec. 2. The proceeds of all bonds issued pursuant to section 1 hereof shall be used exclusively for the acquisition, construction, and repair of capital improvements and, commencing in the year 1992 and notwithstanding any provision in Laws 1978, chapter 788, section 5, as amended, for redevelopment project activities as defined in Minnesota Statutes, section 469.002, subdivision 14, in accordance with Minnesota Statutes, section 469.041, clause (6). The amount of proceeds of bonds authorized by section 1 used for redevelopment project activities shall not exceed \$655,000 in 1992, \$690,000 in 1993, \$690,000 in 1994, \$690,000 in 1995, \$700,000 in 1996, \$700,000 in 1997, and \$725,000 in 1998 or any later year.

None of the proceeds of any bonds so issued shall be expended except upon projects which have been reviewed, and have received a priority rating, from a capital improvements committee consisting of 18 members, of whom a majority shall not hold any paid office or position under the city of St. Paul. The members shall be appointed by the mayor, with at least four members from each Minnesota senate district located entirely within the city and at least two members from each senate district located partly within the city. Prior to making an appointment to a vacancy on the capital improvement budget committee, the mayor shall consult the legislators of the senate district in which the vacancy occurs. The priorities and recommendations of the committee shall

be purely advisory, and no buyer of any bonds shall be required to see to the application of the proceeds.

Sec. 20. Laws 1976, chapter 162, section 1, as amended by Laws 1982, chapter 474, section 1, Laws 1983, chapter 338, section 1, Laws 1989 First Special Session chapter 1, article 5, section 45, and Laws 1991, chapter 167, section 1, is amended to read:

Section 1. [RED RIVER OF THE NORTH WATERSHED; TAX BY WATERSHED DISTRICTS.]

Each watershed district located both within the counties of Kittson, Marshall, Polk, Pennington, Red Lake, Norman, Clay, Mahnomen, Clearwater, Roseau, Wilkin, Ottertail, Becker, Koochiching, Beltrami, Traverse, Grant, Big Stone, Stevens, and Itasca, ~~which district and within the hydrologic basin of the Red River of the North that is a member of the Red River watershed management board, established by a joint powers agreement in accordance with Minnesota Statutes, section 471.59, may levy an ad valorem tax not to exceed 0.04836 percent of the taxable market value of all property within the district. This levy shall be in excess of any levy authorized by Minnesota Statutes, section 103D.905. The proceeds of one-half of this levy shall be credited to the district's construction fund and shall be used for the development, construction, and maintenance of projects and programs of benefit to the district. The proceeds of the remaining one-half of this levy shall be credited to the general fund of the Red River watershed management board and shall be used for funding the development, construction, and maintenance of projects and programs of benefit to the Red River basin. The Red River management board shall adopt criteria for member districts to follow in applying for funding from the board.~~

Sec. 21. Laws 1984, chapter 380, section 1, as amended by Laws 1994, chapter 505, article 6, section 27, is amended to read:

Section 1. [TAX.]

~~The Anoka county board may levy a tax on of not more than .01 percent of the taxable market value of taxable property located within the county outside of excluding any taxable property taxed by any city in which is situated a for the support of any free public library, to acquire, better, and construct county library buildings and to pay principal and interest on bonds issued for that purpose. The tax shall be disregarded in the calculation of levies or limits on levies provided by Minnesota Statutes, section 373.40, or other law.~~

Sec. 22. Laws 1984, chapter 380, section 2, is amended to read:

Sec. 2. [AUTHORIZATION.]

~~The Anoka county board may, by resolution adopted by a four-sevenths vote, issue and sell general obligation bonds of the county in the amount of \$9,000,000 in the manner provided in Minnesota Statutes, chapter 475, to acquire, better, and construct county library buildings. The total amount of bonds outstanding at any time shall not exceed \$5,000,000. The county board, prior to the issuance of any bonds authorized by section 1 and after adopting the resolution as provided above in this section, shall adopt a resolution by majority vote of the county board stating the amount, purpose and, in general, the security to be provided for the bonds, and shall publish the resolution once each week for two consecutive weeks in the medium of official and legal publication of the county. The bonds may be issued without the submission of the question of their issuance to the voters of the county library district unless within 21 days after the second publication of the resolution a petition requesting a referendum, signed by at least ten percent of the registered voters of the county, is filed with the county auditor. If a petition is filed, bonds may be issued unless disapproved by a majority of the voters of the county library district, voting on the question of their issuance at a regular or special election. The bonds shall not be subject to the requirements of Minnesota Statutes, sections 475.57 to 475.59. The maturity years and amounts and interest rates of each series of bonds shall be fixed so that the maximum amount of principal and interest to become due in any year, on the bonds of that series and of all outstanding series issued by or for the purposes of libraries, shall not exceed an amount equal to three-fourths of a mill times the assessed value the lesser of (i) .01 percent of the taxable market value of all taxable property in the county, which was not excluding any taxable property taxed in 1981 by any city for~~

the support of any free public library, as last finally equalized before the issuance of the series or (ii) \$1,250,000. When the tax levy authorized in this sections section is collected, it shall be appropriated and credited to a debt service fund for the bonds. The tax levy for the debt service fund under Minnesota Statutes, section 475.61 shall be reduced by the amount available or reasonably anticipated to be available in the fund to make payments otherwise payable from the levy pursuant to section 475.61.

Sec. 23. Laws 1992, chapter 511, article 2, section 52, as amended by Laws 1997, chapter 231, article 2, section 50, is amended to read:

Sec. 52. [WATERSHED DISTRICT LEVIES.]

(a) The Nine Mile Creek watershed district, the Riley-Purgatory Bluff Creek watershed district, the Minnehaha Creek watershed district, the Coon Creek watershed district, and the Lower Minnesota River watershed district may levy in 1992 and thereafter a tax not to exceed \$200,000 on property within the district for the administrative fund. The levy authorized under this section is in lieu of Minnesota Statutes, section 103D.905, subdivision 3. The administrative fund shall be used for the purposes contained in Minnesota Statutes, section 103D.905, subdivision 3. The board of managers shall make the levy for the administrative fund in accordance with Minnesota Statutes, section 103D.915.

(b) The Wild Rice watershed district may levy, for taxes payable in 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, and 2002, an ad valorem tax not to exceed \$200,000 on property within the district for the administrative fund. The additional \$75,000 above the amount authorized in Minnesota Statutes, section 103D.905, subdivision 3, must be used for (1) costs incurred in connection with the development and maintenance of cost-sharing projects with the United States Army Corps of Engineers or (2) administrative costs associated with 1997 flood mitigation projects. The board of managers shall make the levy for the administrative fund in accordance with Minnesota Statutes, section 103D.915.

Sec. 24. Laws 1997, chapter 231, article 2, section 68, subdivision 1, is amended to read:

Subdivision 1. [APPLICATION.] To facilitate a review by the 1998 legislature of the property taxation of elderly assisted living facilities and the development of standards and criteria for the taxation of these facilities, this section:

(1) requires the commissioner of revenue to conduct a survey of the tax status of these facilities under subdivision 2; and

(2) prohibits changes in assessment practices and policies regarding these facilities under subdivision 3.

Sec. 25. Laws 1997, chapter 231, article 2, section 68, subdivision 3, is amended to read:

Subd. 3. [MORATORIUM ON CHANGES IN ASSESSMENT PRACTICES.] (a) An assessor may not change the current practices or policies used generally in assessing elderly assisted living facilities.

(b) An assessor may not change the assessment of an existing elderly assisted living facility, unless the change is made as a result of a change in ownership, occupancy, or use of the facility. This paragraph does not apply to:

(1) a facility that was constructed during calendar year 1997 or 1998;

(2) a facility that was converted to an elderly assisted living facility during calendar year 1997 or 1998; or

(3) a change in market value.

(c) This subdivision expires and no longer applies on the earlier of:

(1) the enactment of legislation establishing criteria for the property taxation of elderly assisted living facilities; or

(2) final adjournment of the ~~1998~~ 1999 legislature.

Sec. 26. [CHILD CARE FACILITY.]

In connection with the capital expenditure authority in Minnesota Statutes, section 473.39, subdivision 1e, the metropolitan council shall consider incorporating in a new transfer garage a child care facility to assist in the recruitment and retention of metropolitan transit drivers.

Sec. 27. [QUALIFIED PROPERTY.]

A contiguous property located within a county adjacent to a county containing a city of the first class and within the metropolitan area as defined in Minnesota Statutes, section 473.121, that was valued under Minnesota Statutes, section 273.111, for taxes payable in 1995, shall be valued and classified under sections 28 and 29 and shall be eligible for deferral of special assessments under section 30, provided it meets the following conditions:

- (1) the property does not exceed 60 acres;
- (2) the property includes a sculpture garden open to the public;
- (3) the property includes a system of internal roads and paths for pedestrian use and a planned amphitheater for live artistic performances;
- (4) the property is used for a summer youth art camp;
- (5) the property is used for seminars for aspiring and professional artists;
- (6) the property includes the homestead of the owner; and
- (7) the property has been owned by the owner for at least 40 years.

Sec. 28. [CLASSIFICATION.]

Notwithstanding any law to the contrary, a property qualifying under section 27 shall be classified as class 2a property under Minnesota Statutes, section 273.13, subdivision 23.

Sec. 29. [VALUATION.]

Notwithstanding Minnesota Statutes, section 273.111, subdivisions 3 and 6, a property qualifying under section 27 shall be valued solely with reference to its agricultural value as otherwise provided under Minnesota Statutes, section 273.111.

Sec. 30. [SPECIAL ASSESSMENT DEFERRAL.]

Notwithstanding Minnesota Statutes, section 273.111, subdivisions 3 and 6, a property qualifying under section 27 shall be eligible for deferral of both levied and pending special assessments as otherwise provided under Minnesota Statutes, section 273.111, subdivision 11. Nothing in this section requires the refund of special assessments already paid.

Sec. 31. [TRANSFER OF PROPERTY; PAYMENT OF DEFERRED TAXES AND SPECIAL ASSESSMENTS.]

Subdivision 1. [ADDITIONAL TAX.] The assessor shall make a separate determination of the market value and net tax capacity of a property qualifying under section 27 as if sections 28 and 29 did not apply. The tax based upon the appropriate local tax rate applicable to such property in the taxing district shall be recorded on the property assessment records.

Subd. 2. [RECAPTURE.] (a) Property or any portion thereof qualifying under section 27 is subject to additional taxes if (1) ownership of the property is transferred to anyone other than the spouse or child of the current owner, or (2) the current owner or the spouse or child of the current owner has not conveyed or entered into a contract to convey the property to a nonprofit foundation or corporation created to own and operate the property as an art park providing services included in section 28, clauses (2) to (5), before July 1, 2002.

(b) The additional taxes are imposed at the earlier of (1) the year following transfer of ownership to anyone other than the spouse of the current owner or a nonprofit foundation or corporation created to own and operate the property as an art park, or (2) 2003. The additional taxes are equal to the difference between the taxes determined under sections 28 and 29 and the amount determined under subdivision 1 for all years that the property qualified under section 27. The additional taxes must be extended against the property on the tax list for the current year; provided, however, that no interest or penalties may be levied on the additional taxes if timely paid.

Subd. 3. [PAYMENT OF DEFERRED SPECIAL ASSESSMENTS.] Beginning with earlier of (1) the tax payable in 2003, or (2) the date ownership of the property is transferred to anyone other than the spouse or child of the current owner or an organization described in subdivision 2 for a property qualifying under section 27, all deferred special assessments plus interest are payable in equal installments spread over the time remaining until the last maturity date of the bonds issued to finance the improvement for which the assessments were levied. If the bonds have matured or if no bonds were issued to finance the improvements, the deferred special assessments plus interest are payable within 90 days. The provisions of Minnesota Statutes, section 429.061, subdivision 2, apply to the collection of these installments. Penalty may not be levied on any such special assessments if timely paid.

Subd. 4. [CURRENT OWNER.] For purposes of this section, "current owner" means the owner of property qualifying under section 27 on the date of final enactment of this act.

Subd. 5. [NONPROFIT FOUNDATION OR CORPORATION.] For purposes of sections 27 to 31, "nonprofit foundation or corporation" means a nonprofit entity created to own and operate the property as an art park providing the services included in section 27, clauses (2) to (5).

Sec. 32. [WATER SUPPLY PROJECTS OF MORE THAN \$15,000,000.]

Notwithstanding Minnesota Statutes, chapter 410, or Minneapolis city charter, chapter 15, section 9, the city of Minneapolis and its board of estimate and taxation may issue and sell bonds or incur other indebtedness for a capital improvement project related to water supply that in all phases from inception to completion exceeds \$15,000,000 without submitting the question of issuing such obligations or incurring such indebtedness to the electorate for approval.

Sec. 33. [EFFECTIVE DATE.]

Sections 1, 4 to 6, 8, and 11 to 14 are effective for property taxes assessed in 1998 and payable in 1999, and thereafter.

Sections 2 and 3 are effective for real estate sales and transfers occurring on or after July 1, 1998.

Section 7 is effective for public hearings held in 1998, and thereafter.

Section 9 is effective for property taxes payable in 1998 only.

Section 16 is effective for aids payable in 1999 and thereafter.

Sections 17 to 19 are effective upon compliance by the governing body of the city of St. Paul with Minnesota Statutes, section 645.021, subdivision 3.

Sections 21 and 22 are effective upon compliance by the governing body of Anoka county with Minnesota Statutes, section 645.021, subdivision 3.

Section 23 is effective for property taxes levied in 1997, payable in 1998, and thereafter.

Sections 27 to 31 are effective beginning with taxes payable in 1998 and ending with taxes payable in 2003.

Sections 21 and 32 are effective the day following final enactment.

## SENIOR CITIZEN'S PROPERTY TAX DEFERRAL

Section 1. Minnesota Statutes 1997 Supplement, section 290B.04, subdivision 1, is amended to read:

Subdivision 1. [INITIAL APPLICATION.] A taxpayer meeting the program qualifications under section 290B.03 may apply to the commissioner of revenue for the deferral of taxes. Applications are due on or before July 1 for deferral of any of the following year's property taxes. A taxpayer may apply in the year in which the taxpayer becomes 65 years old, provided that no deferral of property taxes will be made until the calendar year after the taxpayer becomes 65 years old. The application, which shall be prescribed by the commissioner of revenue, shall include the following items and any other information which the commissioner deems necessary:

- (1) the name, address, and social security number of the owner or owners;
- (2) a copy of the property tax statement for the current payable year for the homesteaded property;
- (3) the initial year of ownership and occupancy as a homestead;
- (4) the owner's household income for the previous calendar year; and
- (5) information on any mortgage loans or other amounts secured by mortgages or other liens against the property, for which purpose the commissioner may require the applicant to provide a copy of the mortgage note, the mortgage, or a statement of the balance owing on the mortgage loan provided by the mortgage holder. The commissioner may require the appropriate documents in connection with obtaining and confirming information on unpaid amounts secured by other liens. As a condition for approving an initial application, the commissioner may require applicants to obtain at their own cost, a report which has been prepared by a licensed abstracter showing the existing mortgages, lien notices, and other obligations or encumbrances which are on record against the involved property or the applicant as of 30 days prior to the date of such report, and to submit that report by the due date of the initial application. The commissioner may also require the county recorder or county registrar in the county where the property is located to provide other documents or information related to the applicant or the property, for which the recorder or registrar shall not charge a fee.

The application must state that program participation is voluntary. The application must also state that the deferred amount depends directly on the applicant's household income, and that program participation includes authorization for the deferred amount for each year and the cumulative deferral and interest to appear on each year's property tax statement as public data.

Sec. 2. Minnesota Statutes 1997 Supplement, section 290B.04, subdivision 3, is amended to read:

Subd. 3. [~~ANNUAL EXCESS-INCOME CERTIFICATION BY TAXPAYER.~~] ~~Annually on or before July 1, A taxpayer whose initial application has been approved under subdivision 2, shall complete the a certification form and return it to the commissioner of revenue by July 1 of each year of eligibility if the taxpayer's household income in the preceding year exceeded \$30,000. The certification must state whether or not the taxpayer wishes to have property taxes deferred for the following year provided the taxes exceed the maximum property tax amount under section 290B.05. If the taxpayer does wish to have property taxes deferred, the certification must state the homeowner's total household income for the previous calendar year and any other information which the commissioner deems necessary. No property taxes may be deferred under chapter 290B in the year following the year in which a program participant is required to file an excess-income certification under this subdivision.~~

Sec. 3. Minnesota Statutes 1997 Supplement, section 290B.05, subdivision 1, is amended to read:

Subdivision 1. [DETERMINATION BY COMMISSIONER.] The commissioner shall annually determine the qualifying homeowner's "~~maximum property tax amount~~" and "maximum allowable

deferral." The maximum property tax amount calculated for taxes payable in the following year is equal to five percent of the homeowner's total household income for the previous calendar year. No tax may be deferred for any homeowner whose total household income for the previous year exceeds \$30,000. No tax shall be deferred in any year in which the homeowner or the property does not meet the program qualifications in section 290B.03, subdivision 1, clauses (1) and (3) through (8). The maximum allowable total deferral is equal to 75 percent of the assessor's estimated market value for the year, less (1) the balance of any mortgage loans and other amounts secured by liens against the property at the time of application, including any unpaid special assessments but not including property taxes payable during the year; and (2) any outstanding deferral and interest.

Sec. 4. Minnesota Statutes 1997 Supplement, section 290B.05, subdivision 2, is amended to read:

Subd. 2. [CERTIFICATION BY COMMISSIONER.] On or before December 1, the commissioner shall certify to the county auditor of the county in which the qualifying homestead is located (1) the maximum property tax amount; (2) the maximum allowable deferral for the year; and (3) the cumulative deferral and interest for all years preceding the next taxes payable year.

Sec. 5. Minnesota Statutes 1997 Supplement, section 290B.05, subdivision 3, is amended to read:

Subd. 3. [CALCULATION OF DEFERRED PROPERTY TAX AMOUNT.] When final property tax amounts for the following year have been determined, the county auditor shall calculate the "deferred property tax amount." The deferred property tax amount is equal to the lesser of (1) the maximum allowable deferral for the year; or (2) the difference between the total amount of property taxes levied upon the qualifying homestead by all taxing jurisdictions and the maximum property tax amount. Any special assessments levied by any local unit of government must not be included in the total tax used to calculate the deferred tax amount. No deferral of the current year's property taxes is allowed if there are any delinquent property taxes or delinquent special assessments for any previous year. Any tax attributable to new improvements made to the property after the initial application has been approved under section 290B.04, subdivision 2, must be excluded when determining any subsequent deferred property tax amount. The county auditor shall annually, on or before April 15, certify to the commissioner of revenue the property tax deferral amounts determined under this subdivision by property and by owner.

Sec. 6. Minnesota Statutes 1997 Supplement, section 290B.06, is amended to read:

290B.06 [PROPERTY TAX REFUNDS.]

For purposes of qualifying for the regular property tax refund or the special refund for homeowners under chapter 290A, the qualifying tax is the full amount of taxes, including the deferred portion of the tax. In any year in which a program participant chooses to have property taxes deferred under this section, any regular or special property tax refund awarded based upon those property taxes must be taken first as a deduction from the amount of the deferred tax for that year, and second as a deduction against any outstanding deferral from previous years, rather than as a cash payment to the homeowner. The commissioner shall cancel any current year's deferral or previous years' deferral and interest that is offset by the property tax refunds. If the total of the regular and the special property tax refund amounts exceeds the sum of the deferred tax for the current year and cumulative deferred tax and interest for previous years, the commissioner shall then remit the excess amount to the homeowner. On or before the date on which the commissioner issues property tax refunds, the commissioner shall notify program participants of any reduction in the deferred amount for the current and previous years resulting from property tax refunds.

Sec. 7. Minnesota Statutes 1997 Supplement, section 290B.07, is amended to read:

290B.07 [LIEN; DEFERRED PORTION.]

(a) Payment by the state to the county treasurer of taxes deferred under this section is deemed a loan from the state to the program participant. The commissioner must compute the interest as provided in section 270.75, subdivision 5, but not to exceed five percent, and maintain records of

the total deferred amount and interest for each participant. Interest shall accrue beginning September 1 of the payable year for which the taxes are deferred. The lien created under section 272.31 continues to secure payment by the taxpayer, or by the taxpayer's successors or assigns, of the amount deferred, including interest, with respect to all years for which amounts are deferred. The lien for deferred taxes and interest has the same priority as any other lien under section 272.31, except that liens, including mortgages, recorded or filed prior to the recording or filing of the notice under section 290B.04, subdivision 2, have priority over the lien for deferred taxes and interest. A seller's interest in a contract for deed, in which a qualifying homeowner is the purchaser or an assignee of the purchaser, has priority over deferred taxes and interest on deferred taxes, regardless of whether the contract for deed is recorded or filed. The lien for deferred taxes and interest for future years has the same priority as the lien for deferred taxes and interest for the first year, which is always higher in priority than any mortgages or other liens filed, recorded, or created after the notice recorded or filed under section 290B.04, subdivision 2. The county treasurer or auditor shall maintain records of the deferred portion and shall list the amount of deferred taxes for the year and the cumulative deferral and interest for all previous years as a lien against the property on the property tax statement. In any certification of unpaid taxes for a tax parcel, the county auditor shall clearly distinguish between taxes payable in the current year, deferred taxes and interest, and delinquent taxes. Payment of the deferred portion becomes due and owing at the time specified in section 290B.08. Upon receipt of the payment, the commissioner shall issue a receipt for it to the person making the payment upon request and shall notify the auditor of the county in which the parcel is located, within ten days, identifying the parcel to which the payment applies. Upon receipt by the commissioner of revenue of collected funds in the amount of the deferral, the state's loan to the program participant is deemed paid in full.

(b) If property for which taxes have been deferred under this chapter forfeits under chapter 281 for nonpayment of a nondeferred property tax amount, or because of nonpayment of amounts previously deferred following a termination under section 290B.08, the lien for the taxes deferred under this chapter, plus interest and costs, shall be canceled by the county auditor as provided in section 282.07. However, notwithstanding any other law to the contrary, any proceeds from a subsequent sale of the property under chapter 282 or another law, must be used to first reimburse the county's forfeited tax sale fund for any direct costs of selling the property or any costs directly related to preparing the property for sale, and then to reimburse the state for the amount of the canceled lien. Within 90 days of the receipt of any sale proceed to which the state is entitled under these provisions, the county auditor must pay those funds to the commissioner of revenue by warrant for deposit in the general fund. No other deposit, use, distribution, or release of gross sale proceeds or receipts may be made by the county until payments sufficient to fully reimburse the state for the canceled lien amount have been transmitted to the commissioner.

Sec. 8. [290B.10] [INVESTIGATIONS; PENALTIES.]

The commissioner may use any information to which he or she has access under the law in determining or verifying eligibility under any provision of the senior citizens' property tax deferral program. The commissioner may conduct investigations related to initial applications and excess-income certifications required under this chapter within the period ending 3-1/2 years from the due date of the application or certification. The commissioner shall assess a penalty equal to 50 percent of the property taxes improperly deferred in the case of a false application, a false certification, or in the case of a required excess-income certification which was not filed as of the applicable due date. The commissioner shall assess a penalty equal to 100 percent of the property taxes improperly deferred if the taxpayer knowingly filed a false application or certification, or knowingly failed to file a required excess-income certification by the applicable due date. The commissioner shall assess penalties under this section through the issuance of an order under the provisions of chapter 289A. Persons affected by a commissioner's order issued under this section may appeal as provided in chapter 289A.

Sec. 9. [EFFECTIVE DATE.]

Sections 1 to 8 are effective for deferrals of property taxes payable in 1999 and thereafter.

## INCOME AND FRANCHISE TAXES

Section 1. Minnesota Statutes 1997 Supplement, section 289A.19, subdivision 2, is amended to read:

Subd. 2. [CORPORATE FRANCHISE AND MINING COMPANY TAXES.] Corporations or mining companies shall receive an extension of seven months for filing the return of a corporation subject to tax under chapter 290 or for filing the return of a mining company subject to tax under sections 298.01 and 298.015 ~~if~~. Interest on any balance of tax not paid when the regularly required return is due must be paid at the rate specified in section 270.75, from the date such payment should have been made if no extension was granted, until the date of payment of such tax.

If a corporation or mining company does not:

(1) the corporation or mining company pays pay at least 90 percent of the amount of tax shown on the return on or before the regular due date of the return, the penalty prescribed by section 289A.60, subdivision 1, shall be imposed on the unpaid balance of tax; or

(2) pay the balance due shown on the regularly required return is paid on or before the extended due date of the return; and

(3) interest on any balance due is paid at the rate specified in section 270.75 from the regular due date of the return until the tax is paid, the penalty prescribed by section 289A.60, subdivision 1, shall be imposed on the unpaid balance of tax from the original due date of the return.

Sec. 2. Minnesota Statutes 1996, section 290.01, subdivision 3b, is amended to read:

Subd. 3b. [LIMITED LIABILITY COMPANY.] For purposes of this chapter and chapter 289A, a limited liability company that is formed under either the laws of this state or under similar laws of another state, ~~and that is considered to be a partnership will be treated as an entity similar to its treatment for federal income tax purposes, is considered to be a partnership and the members must be considered to be partners.~~

Sec. 3. Minnesota Statutes 1997 Supplement, section 290.01, subdivision 19a, is amended to read:

Subd. 19a. [ADDITIONS TO FEDERAL TAXABLE INCOME.] For individuals, estates, and trusts, there shall be added to federal taxable income:

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

(ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, except the portion of the exempt-interest dividends derived from interest income on obligations of the state of Minnesota or its political or governmental subdivisions, municipalities, governmental agencies or instrumentalities, but only if the portion of the exempt-interest dividends from such Minnesota sources paid to all shareholders represents 95 percent or more of the exempt-interest dividends that are paid by the regulated investment company as defined in section 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as defined in section 851(h) of the Internal Revenue Code, making the payment; and

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

(2) the amount of income taxes paid or accrued within the taxable year under this chapter and income taxes paid to any other state or to any province or territory of Canada, to the extent allowed as a deduction under section 63(d) of the Internal Revenue Code, but the addition may not be more than the amount by which the itemized deductions as allowed under section 63(d) of the

Internal Revenue Code exceeds the amount of the standard deduction as defined in section 63(c) of the Internal Revenue Code. For the purpose of this paragraph, the disallowance of itemized deductions under section 68 of the Internal Revenue Code of 1986, income tax is the last itemized deduction disallowed;

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

(4) the amount of income taxes paid or accrued within the taxable year under this chapter and income taxes paid to any other state or any province or territory of Canada, to the extent allowed as a deduction in determining federal adjusted gross income. For the purpose of this paragraph, income taxes do not include the taxes imposed by sections 290.0922, subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

(5) the amount of loss or expense included in federal taxable income under section 1366 of the Internal Revenue Code flowing from a corporation that has a valid election in effect for the taxable year under section 1362 of the Internal Revenue Code, but which is not allowed to be an "S" corporation under section 290.9725; and

(6) the amount of any distributions in cash or property made to a shareholder during the taxable year by a corporation that has a valid election in effect for the taxable year under section 1362 of the Internal Revenue Code, but which is not allowed to be an "S" corporation under section 290.9725 to the extent not already included in federal taxable income under section 1368 of the Internal Revenue Code;

(7) in the year stock of a corporation that had made a valid election under section 1362 of the Internal Revenue Code but was not an "S" corporation under section 290.9725 is sold or disposed of in a transaction taxable under the Internal Revenue Code, the amount of difference between the Minnesota basis of the stock under subdivision 19f, paragraph (m), and the federal basis if the Minnesota basis is lower than the shareholder's federal basis; and

(8) the amount of expense, interest, or taxes disallowed pursuant to section 290.10.

Sec. 4. Minnesota Statutes 1997 Supplement, section 290.01, subdivision 19b, is amended to read:

Subd. 19b. [SUBTRACTIONS FROM FEDERAL TAXABLE INCOME.] For individuals, estates, and trusts, there shall be subtracted from federal taxable income:

(1) interest income on obligations of any authority, commission, or instrumentality of the United States to the extent includable in taxable income for federal income tax purposes but exempt from state income tax under the laws of the United States;

(2) if included in federal taxable income, the amount of any overpayment of income tax to Minnesota or to any other state, for any previous taxable year, whether the amount is received as a refund or as a credit to another taxable year's income tax liability;

(3) the amount paid to others, less the credit allowed under section 290.0674, not to exceed \$1,625 for each dependent in grades kindergarten to 6 and \$2,500 for each dependent in grades 7 to 12, for tuition, textbooks, and transportation of each dependent in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363. For the purposes of this clause, "tuition" includes fees or tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause, "textbooks" includes books and other instructional materials and equipment used in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. Equipment expenses qualifying for deduction includes expenses as defined and limited in section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or

transportation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs;

(4) to the extent included in federal taxable income, distributions from a qualified governmental pension plan, an individual retirement account, simplified employee pension, or qualified plan covering a self-employed person that represent a return of contributions that were included in Minnesota gross income in the taxable year for which the contributions were made but were deducted or were not included in the computation of federal adjusted gross income. The distribution shall be allocated first to return of contributions until the contributions included in Minnesota gross income have been exhausted. This subtraction applies only to contributions made in a taxable year prior to 1985;

(5) income as provided under section 290.0802;

(6) the amount of unrecovered accelerated cost recovery system deductions allowed under subdivision 19g;

(7) to the extent included in federal adjusted gross income, income realized on disposition of property exempt from tax under section 290.491;

(8) to the extent not deducted in determining federal taxable income, the amount paid for health insurance of self-employed individuals as determined under section 162(1) of the Internal Revenue Code, except that the 25 percent limit does not apply. If the taxpayer deducted insurance payments under section 213 of the Internal Revenue Code of 1986, the subtraction under this clause must be reduced by the lesser of:

(i) the total itemized deductions allowed under section 63(d) of the Internal Revenue Code, less state, local, and foreign income taxes deductible under section 164 of the Internal Revenue Code and the standard deduction under section 63(c) of the Internal Revenue Code; or

(ii) the lesser of (A) the amount of insurance qualifying as "medical care" under section 213(d) of the Internal Revenue Code to the extent not deducted under section 162(1) of the Internal Revenue Code or excluded from income or (B) the total amount deductible for medical care under section 213(a);

(9) the exemption amount allowed under Laws 1995, chapter 255, article 3, section 2, subdivision 3;

(10) to the extent included in federal taxable income, postservice benefits for youth community service under section 121.707 for volunteer service under United States Code, title 42, section 5011(d), as amended; and

(11) to the extent not subtracted under clause (1), the amount of income or gain included in federal taxable income under section 1366 of the Internal Revenue Code flowing from a corporation that has a valid election in effect for the taxable year under section 1362 of the Internal Revenue Code which is not allowed to be an "S" corporation under section 290.9725;

(12) in the year stock of a corporation that had made a valid election under section 1362 of the Internal Revenue Code but was not an "S" corporation under section 290.9725 is sold or disposed of in a transaction taxable under the Internal Revenue Code, the amount of difference between the Minnesota basis of the stock under subdivision 19f, paragraph (m), and the federal basis if the Minnesota basis is higher than the shareholder's federal basis; and

(13) an amount equal to the portion of the distributions made by a corporation, having a valid election in effect for federal tax purposes under section 1362 of the Internal Revenue Code but not treated as a "S" corporation for state tax purposes under section 290.9725, which is equal to the individual's, estate's, or trust's federal income tax liability that is attributable to the items of income, expense, gain, loss, or credits from the corporation.

Sec. 5. Minnesota Statutes 1997 Supplement, section 290.01, subdivision 19f, is amended to read:

Subd. 19f. [BASIS MODIFICATIONS AFFECTING GAIN OR LOSS ON DISPOSITION OF PROPERTY.] (a) For individuals, estates, and trusts, the basis of property is its adjusted basis for federal income tax purposes except as set forth in paragraphs (f), (g), and (m). For corporations, the basis of property is its adjusted basis for federal income tax purposes, without regard to the time when the property became subject to tax under this chapter or to whether out-of-state losses or items of tax preference with respect to the property were not deductible under this chapter, except that the modifications to the basis for federal income tax purposes set forth in paragraphs (b) to (j) are allowed to corporations, and the resulting modifications to federal taxable income must be made in the year in which gain or loss on the sale or other disposition of property is recognized.

(b) The basis of property shall not be reduced to reflect federal investment tax credit.

(c) The basis of property subject to the accelerated cost recovery system under section 168 of the Internal Revenue Code shall be modified to reflect the modifications in depreciation with respect to the property provided for in subdivision 19e. For certified pollution control facilities for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, the basis of the property must be increased by the amount of the amortization deduction not previously allowed under this chapter.

(d) For property acquired before January 1, 1933, the basis for computing a gain is the fair market value of the property as of that date. The basis for determining a loss is the cost of the property to the taxpayer less any depreciation, amortization, or depletion, actually sustained before that date. If the adjusted cost exceeds the fair market value of the property, then the basis is the adjusted cost regardless of whether there is a gain or loss.

(e) The basis is reduced by the allowance for amortization of bond premium if an election to amortize was made pursuant to Minnesota Statutes 1986, section 290.09, subdivision 13, and the allowance could have been deducted by the taxpayer under this chapter during the period of the taxpayer's ownership of the property.

(f) For assets placed in service before January 1, 1987, corporations, partnerships, or individuals engaged in the business of mining ores other than iron ore or taconite concentrates subject to the occupation tax under chapter 298 must use the occupation tax basis of property used in that business.

(g) For assets placed in service before January 1, 1990, corporations, partnerships, or individuals engaged in the business of mining iron ore or taconite concentrates subject to the occupation tax under chapter 298 must use the occupation tax basis of property used in that business.

(h) In applying the provisions of sections 301(c)(3)(B), 312(f) and (g), and 316(a)(1) of the Internal Revenue Code, the dates December 31, 1932, and January 1, 1933, shall be substituted for February 28, 1913, and March 1, 1913, respectively.

(i) In applying the provisions of section 362(a) and (c) of the Internal Revenue Code, the date December 31, 1956, shall be substituted for June 22, 1954.

(j) The basis of property shall be increased by the amount of intangible drilling costs not previously allowed due to differences between this chapter and the Internal Revenue Code.

(k) The adjusted basis of any corporate partner's interest in a partnership is the same as the adjusted basis for federal income tax purposes modified as required to reflect the basis modifications set forth in paragraphs (b) to (j). The adjusted basis of a partnership in which the partner is an individual, estate, or trust is the same as the adjusted basis for federal income tax purposes modified as required to reflect the basis modifications set forth in paragraphs (f) and (g).

(l) The modifications contained in paragraphs (b) to (j) also apply to the basis of property that is determined by reference to the basis of the same property in the hands of a different taxpayer or by reference to the basis of different property.

(m) If a corporation has a valid election in effect for the taxable year under section 1362 of the Internal Revenue Code, but is not allowed to be an "S" corporation under section 290.9725, and the corporation is liquidated or the individual shareholder disposes of the stock ~~and there is no capital loss reflected in federal adjusted gross income because of the fact that corporate losses have exhausted the shareholders' basis for federal purposes, the shareholders shall be entitled to a capital loss commensurate to their Minnesota basis for the stock, the Minnesota basis in the shareholder's stock in the corporation shall be computed as if the corporation were not an "S" corporation for federal tax purposes.~~

Sec. 6. Minnesota Statutes 1996, section 290.06, subdivision 2c, is amended to read:

Subd. 2c. [SCHEDULES OF RATES FOR INDIVIDUALS, ESTATES, AND TRUSTS.] (a) The income taxes imposed by this chapter upon married individuals filing joint returns and surviving spouses as defined in section 2(a) of the Internal Revenue Code must be computed by applying to their taxable net income the following schedule of rates:

- (1) On the first \$19,910, 6 percent;
- (2) On all over \$19,910, but not over \$79,120, 8 percent;
- (3) On all over \$79,120, 8.5 percent.

Married individuals filing separate returns, estates, and trusts must compute their income tax by applying the above rates to their taxable income, except that the income brackets will be one-half of the above amounts.

(b) The income taxes imposed by this chapter upon unmarried individuals must be computed by applying to taxable net income the following schedule of rates:

- (1) On the first \$13,620, 6 percent;
- (2) On all over \$13,620, but not over \$44,750, 8 percent;
- (3) On all over \$44,750, 8.5 percent.

(c) The income taxes imposed by this chapter upon unmarried individuals qualifying as a head of household as defined in section 2(b) of the Internal Revenue Code must be computed by applying to taxable net income the following schedule of rates:

- (1) On the first \$16,770, 6 percent;
- (2) On all over \$16,770, but not over \$67,390, 8 percent;
- (3) On all over \$67,390, 8.5 percent.

(d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax of any individual taxpayer whose taxable net income for the taxable year is less than an amount determined by the commissioner must be computed in accordance with tables prepared and issued by the commissioner of revenue based on income brackets of not more than \$100. The amount of tax for each bracket shall be computed at the rates set forth in this subdivision, provided that the commissioner may disregard a fractional part of a dollar unless it amounts to 50 cents or more, in which case it may be increased to \$1.

(e) An individual who is not a Minnesota resident for the entire year must compute the individual's Minnesota income tax as provided in this subdivision. After the application of the nonrefundable credits provided in this chapter, the tax liability must then be multiplied by a fraction in which:

(1) The numerator is the individual's Minnesota source federal adjusted gross income as defined in section 62 of the Internal Revenue Code disregarding income or loss flowing from a corporation having a valid election for the taxable year under section 1362 of the Internal Revenue Code but which is not an "S" corporation under section 290.9725 and increased by the addition required for interest income from non-Minnesota state and municipal bonds under section 290.01,

subdivision 19a, clause (1), after applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

(2) the denominator is the individual's federal adjusted gross income as defined in section 62 of the Internal Revenue Code of 1986, ~~as amended through April 15, 1995~~, increased by the addition ~~required for interest income from non-Minnesota state and municipal bonds under section 290.01, subdivision 19a, clause (1)~~ amounts specified in section 290.01, subdivision 19a, clauses (1), (5), (6), and (7), and reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1), (11), and (12).

Sec. 7. Minnesota Statutes 1996, section 290.06, is amended by adding a subdivision to read:

Subd. 26. [COLLECTORS OF USED MOTOR OIL.] A person who accepts used motor oil and used motor oil filters as defined in section 325E.11, subdivisions 3 and 5, from the public may take a credit against the tax liability under this chapter of \$250 for any taxable year during which the taxpayer operates a facility that qualifies for the reimbursement under section 325E.112, subdivision 2, or would qualify for the reimbursement except that it does not accept contaminated motor oil. In order to claim the credit, the taxpayer must provide the commissioner with a copy of a credit certificate issued to the taxpayer by the commissioner of the pollution control agency verifying the taxpayer's eligibility for this credit. The commissioner of the pollution control agency may issue no more than 200 certificates for any calendar year.

Sec. 8. Minnesota Statutes 1996, section 290.067, subdivision 2, is amended to read:

Subd. 2. [LIMITATIONS.] The credit for expenses incurred for the care of each dependent shall not exceed \$720 in any taxable year, and the total credit for all dependents of a claimant shall not exceed \$1,440 in a taxable year. The maximum total credit shall be reduced according to the amount of the income of the claimant and a spouse, if any, as follows:

income up to \$13,350 \$17,430, \$720 maximum for a claimant with one dependent, and \$1,440 for all dependents a claimant with more than one dependent;

income over \$13,350 \$17,430, the maximum credit for a claimant with one dependent shall be reduced by \$18 \$9 for every \$350 \$410 of additional income, \$36 for all dependents up to \$8,200 of income in excess of the threshold amount as adjusted under subdivision 2b and by \$27 for every \$410 of income in excess of that second threshold amount; the maximum credit for a claimant with more than one dependent shall be reduced by \$18 for every \$410 of additional income up to \$8,200 in excess of the threshold amount as adjusted under subdivision 26, and by \$54 for every \$410 of income in excess of that second threshold amount.

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

Sec. 9. Minnesota Statutes 1997 Supplement, section 290.0671, subdivision 1, is amended to read:

Subdivision 1. [CREDIT ALLOWED.] An individual is allowed a credit against the tax imposed by this chapter equal to a percentage of the credit for which the individual is eligible earned income. To receive a credit, a taxpayer must be eligible for a credit under section 32 of the Internal Revenue Code. The percentage is 15 for individuals without a qualifying child, and 25 for individuals with at least one qualifying child. For purposes of this section, "qualifying child" has the meaning given in section 32(e)(3) of the Internal Revenue Code.

(a) For individuals with no qualifying children, the credit equals 1.1475 percent of the first \$4,460 of earned income. The credit is reduced by 1.1475 percent of earned income or modified adjusted gross income, whichever is greater, in excess of \$5,570, but in no case is the credit less than zero.

(b) For individuals with one qualifying child, the credit equals 8.5 percent of the first \$6,680 of

earned income. The credit is reduced by 4.77 percent of earned income or modified adjusted gross income, whichever is greater, in excess of \$14,560, but in no case is the credit less than zero.

(c) For individuals with two or more qualifying children, the credit equals ten percent of the first \$9,390 of earned income. The credit is reduced by 6.98 percent of earned income or modified adjusted gross income, whichever is greater, in excess of \$16,640, but in no case is the credit less than zero.

For a nonresident or part-year resident, the credit determined under section 32 of the Internal Revenue Code must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

For a person who was a resident for the entire tax year and has earned income not subject to tax under this chapter, the credit must be allocated based on the ratio of federal adjusted gross income reduced by the earned income not subject to tax under this chapter over federal adjusted gross income.

Sec. 10. Minnesota Statutes 1996, section 290.0671, is amended by adding a subdivision to read:

Subd. 1a. [DEFINITIONS.] For purposes of this section, the terms "qualifying child," "earned income," and "modified adjusted gross income" have the meanings given in section 32(c) of the Internal Revenue Code.

Sec. 11. Minnesota Statutes 1996, section 290.0671, is amended by adding a subdivision to read:

Subd. 7. [INFLATION ADJUSTMENT.] The earned income amounts used to calculate the credit and the income thresholds at which the maximum credit begins to be reduced in subdivision 1 must be adjusted for inflation. The commissioner shall adjust the earned income and threshold amounts by the percentage determined under section 290.06, subdivision 2d, for the taxable year.

Sec. 12. Minnesota Statutes 1997 Supplement, section 290.0672, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] (a) For purposes of this section, the following terms have the meanings given.

(b) "Long-term care insurance" means a policy that:

(1) qualifies for a deduction under section 213 of the Internal Revenue Code, disregarding the 7.5 percent income test; or meets the requirements given in section 62A.46; or provides similar coverage issued under the laws of another jurisdiction; and

(2) does not have a lifetime long-term care benefit limit of less than \$100,000; and

(3) ~~includes~~ provides an offer of inflation protection that meets or exceeds the inflation protection requirements of the long-term care insurance model regulation cited under section 7702B(g)(2)(A)(i)(x) of the Internal Revenue Code 62S.23.

(c) "Qualified beneficiary" means the taxpayer or the taxpayer's spouse.

(d) "Premiums deducted in determining federal taxable income" means the lesser of (1) long-term care insurance premiums that qualify as deductions under section 213 of the Internal Revenue Code; and (2) the total amount deductible for medical care under section 213 of the Internal Revenue Code.

Sec. 13. Minnesota Statutes 1997 Supplement, section 290.0673, subdivision 6, is amended to read:

~~Subd. 6. [NONREFUNDABLE REFUNDABLE.] The taxpayer must use the tax credit for the taxable year in which the certificate is issued to the employer. If the credit for the taxable year may not exceed~~ exceeds the liability for tax under section 290.06, subdivision 1, chapter 290 for

the taxable year, before reduction by the nonrefundable credits allowed under this chapter the commissioner shall refund the excess to the taxpayer. An amount sufficient to pay the refunds authorized by this subdivision is appropriated to the commissioner from the general fund.

Sec. 14. [290.0681] [CREDIT FOR EMPLOYER CONTRIBUTIONS FOR EMPLOYEE HOUSING.]

Subdivision 1. [CREDIT ALLOWED.] Subject to the limitations and conditions of this section, a taxpayer is allowed a credit against the tax imposed by section 290.06, subdivision 1 or 2c, in an amount equal to 50 percent of the amount certified to the commissioner by the commissioner of the housing finance agency as qualifying employer housing contributions made by the taxpayer during the taxable year.

Subd. 2. [DEFINITION.] For the purpose of this section, a "qualifying employer housing contribution" means a cash contribution made by an employer (1) as capital for production of affordable housing; (2) for direct down payment assistance for employees; or (3) to a fund administered by a nonprofit corporation or government agency and used as capital for production of affordable housing or direct down payment assistance. A contribution is a qualifying contribution only if the commissioner of the housing finance agency determines that its use is consistent with the requirements of section 42(m)(2)(A) of the Internal Revenue Code.

Subd. 3. [CREDIT ALLOCATION.] An employer must apply each year to the commissioner of the housing finance agency for an allocation of qualifying employer housing contribution tax credits. The credit is at a rate of 50 percent of qualifying employer housing contributions. A credit need not be allocated for all of an employer's qualifying contributions. The commissioner shall notify the commissioner of revenue regarding the identity of each employer that has been allocated the tax credits for the following calendar year, by September 1 of each year. The commissioner of the housing finance agency shall give priority to employers that collaborate and receive matching funds from a nonprofit organization and projects which best promote the economic vitality of the community or region they are located in.

Subd. 4. [LIMITATIONS; CARRYOVER.] (a) The credit allowed to any taxpayer under this section may not exceed \$250,000 for any taxable year.

(b) The credit for the taxable year shall not exceed the tax imposed on the taxpayer for the taxable year under section 290.06, subdivision 1 or 2c, reduced by the sum of the nonrefundable credits allowed under this chapter.

(c) If the amount of the credit determined under this section for any taxable year exceeds the limitation under paragraph (b), the excess shall be a credit carryover to each of the five succeeding taxable years. The entire amount of the excess unused credit for the taxable year shall be carried, first to the earliest of the taxable years to which the credit may be carried, and then to each successive year to which the credit may be carried. The amount of the unused credit which may be added under this paragraph shall not exceed the taxpayer's liability for tax less any additional credit under this section for the current taxable year.

(d) The total credit allocation allowed for all taxpayers is limited to \$2,000,000. The total credit remains available until it is completely allocated or until December 31, 2003, whichever occurs earlier. Unallocated credits carry over from one year to the next.

Sec. 15. Minnesota Statutes 1996, section 290.091, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] For purposes of the tax imposed by this section, the following terms have the meanings given:

(a) "Alternative minimum taxable income" means the sum of the following for the taxable year:

(1) the taxpayer's federal alternative minimum taxable income as defined in section 55(b)(2) of the Internal Revenue Code;

(2) the taxpayer's itemized deductions deduction allowed in computing federal alternative minimum taxable income, ~~but excluding the Minnesota charitable contribution deduction and the~~

medical expense deduction and described in section 67(b)(1), (2), and (4) of the Internal Revenue Code;

(3) for depletion allowances computed under section 613A(c) of the Internal Revenue Code, with respect to each property (as defined in section 614 of the Internal Revenue Code), to the extent not included in federal alternative minimum taxable income, the excess of the deduction for depletion allowable under section 611 of the Internal Revenue Code for the taxable year over the adjusted basis of the property at the end of the taxable year (determined without regard to the depletion deduction for the taxable year);

~~(4) to the extent not included in federal alternative minimum taxable income, the amount of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue Code determined without regard to subparagraph (E);~~

~~(5) to the extent not included in federal alternative minimum taxable income, the amount of interest income as provided by section 290.01, subdivision 19a, clause (1);~~

(5) amounts added to federal taxable income as provided by section 290.01, subdivision 19a, clauses (5), (6), and (7);

less the sum of the amounts determined under the following clauses (1) to ~~(3)~~ (4):

(1) interest income as defined in section 290.01, subdivision 19b, clause (1);

(2) an overpayment of state income tax as provided by section 290.01, subdivision 19b, clause (2), to the extent included in federal alternative minimum taxable income; and

(3) the amount of investment interest paid or accrued within the taxable year on indebtedness to the extent that the amount does not exceed net investment income, as defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted in computing federal adjusted gross income;

(4) amounts subtracted from federal taxable income as provided by section 290.01, subdivision 19b, clauses (11) and (12); and

(5) the Minnesota charitable contribution deduction.

In the case of an estate or trust, alternative minimum taxable income must be computed as provided in section 59(c) of the Internal Revenue Code.

(b) "Investment interest" means investment interest as defined in section 163(d)(3) of the Internal Revenue Code.

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

(d) "Regular tax" means the tax that would be imposed under this chapter (without regard to this section and section 290.032), reduced by the sum of the nonrefundable credits allowed under this chapter.

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

(f) "Minnesota charitable contribution deduction" means a charitable contribution deduction under section 170 of the Internal Revenue Code to or for the use of an entity described in section 290.21, subdivision 3, clauses (a) to (e). When the federal deduction for charitable contributions is limited under section 170(b) of the Internal Revenue Code, the allowable contributions in the year of contribution are deemed to be first contributions to entities described in section 290.21, subdivision 3, clauses (a) to (e).

Sec. 16. Minnesota Statutes 1997 Supplement, section 290.091, subdivision 6, is amended to read:

Subd. 6. [CREDIT FOR PRIOR YEARS' LIABILITY.] (a) A credit is allowed against the tax

imposed by this chapter on individuals, trusts, and estates equal to the minimum tax credit for the taxable year. The minimum tax credit equals the adjusted net minimum tax for taxable years beginning after December 31, 1988, reduced by the minimum tax credits allowed in a prior taxable year. The credit may not exceed the excess (if any) for the taxable year of

- (1) the regular tax, over
- (2) the greater of (i) the tentative alternative minimum tax, or (ii) zero.

(b) The adjusted net minimum tax for a taxable year equals the lesser of the net minimum tax or the excess (if any) of

- (1) the tentative minimum tax, over
- (2) seven percent of the sum of
  - (i) adjusted gross income as defined in section 62 of the Internal Revenue Code,
  - (ii) interest income as defined in section 290.01, subdivision 19a, clause (1),

(iii) the amount added to federal taxable income as provided by section 290.01, subdivision 19a, clauses (5), (6), and (7),

(iv) the itemized deduction allowed for computing federal alternative income under section 56(b) of the Internal Revenue Code and not disallowed for Minnesota purposes under subdivision 2, paragraph (a), clause (2), of the first series of clauses,

(v) interest on specified private activity bonds, as defined in section 57(a)(5) of the Internal Revenue Code, to the extent not included under clause (ii),

~~(iv)~~ (vi) depletion as defined in section 57(a)(1), determined without regard to the last sentence of paragraph (1), of the Internal Revenue Code, less

~~(v)~~ (vii) the deductions allowed in computing alternative minimum taxable income provided in subdivision 2, paragraph (a), clause (2) of the first series of clauses and clauses (1), (2), and (3), and (5) of the second series of clauses, and

~~(vi)~~ (viii) the exemption amount determined under subdivision 3.

In the case of an individual who is not a Minnesota resident for the entire year, adjusted net minimum tax must be multiplied by the fraction defined in section 290.06, subdivision 2c, paragraph (e). In the case of a trust or estate, adjusted net minimum tax must be multiplied by the fraction defined under subdivision 4, paragraph (b).

Sec. 17. Minnesota Statutes 1996, section 290.10, is amended to read:

290.10 [NONDEDUCTIBLE ITEMS.]

Except as provided in section 290.17, subdivision 4, paragraph (i), in computing the net income of a ~~corporation taxpayer~~ no deduction shall in any case be allowed for expenses, interest and taxes connected with or allocable against the production or receipt of all income not included in the measure of the tax imposed by this chapter, except that for corporations engaged in the business of mining or producing iron ore, the mining of which is subject to the occupation tax imposed by section 298.01, subdivision 4, this shall not prevent the deduction of expenses and other items to the extent that the expenses and other items are allowable under this chapter and are not deductible, capitalizable, retainable in basis, or taken into account by allowance or otherwise in computing the occupation tax and do not exceed the amounts taken for federal income tax purposes for that year. Occupation taxes imposed under chapter 298, royalty taxes imposed under chapter 299, or depletion expenses may not be deducted under this clause.

Sec. 18. Minnesota Statutes 1996, section 290.191, subdivision 1, is amended to read:

Subdivision 1. [GENERAL RULE.] (a) Except as otherwise provided in section 290.17,

subdivision 5, the net income from a trade or business carried on partly within and partly without this state must be apportioned to this state as provided in this section.

(b) For purposes of this section, "state" means a state of the United States, the District of Columbia, the commonwealth of Puerto Rico, or any territory or possession of the United States or any foreign country.

(c) For purposes of this section, "commercial domicile" means the headquarters of the trade or business, that is, the place from which the trade or business is principally managed and directed. If a taxpayer is organized under the laws of a foreign country, or of the Commonwealth of Puerto Rico, or any territory or possession of the United States, the taxpayer's commercial domicile is the state that the taxpayer has declared to be its home state under the International Banking Act of 1978; or, if the taxpayer has not made such a declaration or is not required to make such a declaration, its commercial domicile for the purpose of this section is the state of the United States or the District of Columbia to which the greatest number of employees are regularly connected or out of which they are working, irrespective of where the services of the employees are performed, as of the last day of the taxable year.

Sec. 19. Minnesota Statutes 1996, section 290.191, subdivision 6, is amended to read:

Subd. 6. [DETERMINATION OF RECEIPTS FACTOR FOR FINANCIAL INSTITUTIONS.]

(a) For purposes of this section, the rules in this subdivision and ~~subdivision 8~~ apply in determining the receipts factor for financial institutions.

(b) "Receipts" for this purpose means gross income, including net taxable gain on disposition of assets, including securities and money market instruments, when derived from transactions and activities in the regular course of the taxpayer's trade or business.

(c) "Money market instruments" means federal funds sold and securities purchased under agreements to resell, commercial paper, banker's acceptances, and purchased certificates of deposit and similar instruments to the extent that the instruments are reflected as assets under generally accepted accounting principles.

(d) "Securities" means United States Treasury securities, obligations of United States government agencies and corporations, obligations of state and political subdivisions, corporate stock, bonds, and other securities, participations in securities backed by mortgages held by United States or state government agencies, loan-backed securities and similar investments to the extent the investments are reflected as assets under generally accepted accounting principles.

(e) Receipts from the lease or rental of real or tangible personal property, including both finance leases and true leases, must be attributed to this state if the property is located in this state. Receipts from the lease or rental of tangible personal property that is characteristically moving property, including, but not limited to, motor vehicles, rolling stock, aircraft, vessels, or mobile equipment are included in the numerator of the receipts factor to the extent that the property is used in this state. The extent of the use of moving property is determined as follows:

(1) A motor vehicle is used wholly in the state in which it is registered.

(2) The extent that rolling stock is used in this state is determined by multiplying the receipts from the lease or rental of the rolling stock by a fraction, the numerator of which is the miles traveled within this state by the leased or rented rolling stock and the denominator of which is the total miles traveled by the leased or rented rolling stock.

(3) The extent that an aircraft is used in this state is determined by multiplying the receipts from the lease or rental of the aircraft by a fraction, the numerator of which is the number of landings of the aircraft in this state and the denominator of which is the total number of landings of the aircraft.

(4) The extent that a vessel, mobile equipment, or other mobile property is used in the state is determined by multiplying the receipts from the lease or rental of property by a fraction, the numerator of which is the number of days during the taxable year the property was in this state and the denominator of which is the total days in the taxable year.

(f) Interest income and other receipts from assets in the nature of loans that are secured primarily by real estate or tangible personal property must be attributed to this state if the security property is located in this state under the principles stated in paragraph (e).

(g) Interest income and other receipts from consumer loans not secured by real or tangible personal property that are made to residents of this state, whether at a place of business, by traveling loan officer, by mail, by telephone or other electronic means, must be attributed to this state.

(h) Interest income and other receipts from commercial loans and installment obligations that are unsecured by real or tangible personal property or secured by intangible property must be attributed to this state if the proceeds of the loan are to be applied in this state. ~~If it cannot be determined where the funds are to be applied, the income and receipts are attributed to the state in which the office of the borrower from which the application would be made in the regular course of business is located. If this cannot be determined, the transaction is disregarded in the apportionment formula~~ borrower's commercial domicile is located in this state.

(i) Interest income and other receipts from a participating financial institution's portion of participation and syndication loans must be attributed under paragraphs (e) to (h). A participation loan is an arrangement in which a lender makes a loan to a borrower and then sells, assigns, or otherwise transfers all or a part of the loan to a purchasing financial institution. A syndication loan is a loan transaction involving multiple financial institutions in which all the lenders are named as parties to the loan documentation, are known to the borrower, and have privity of contract with the borrower.

(j) Interest income and other receipts including service charges from financial institution credit card and travel and entertainment credit card receivables and credit card holders' fees must be attributed to the state to which the card charges and fees are regularly billed.

(k) The receipts factor includes net gains (but not less than zero) from the sale of credit card receivables, the numerator of which is determined by multiplying the net gains by a fraction, the numerator of which is the amount in the numerator of the receipts factor under paragraph (j) and the denominator of which is the taxpayer's total amount of interest and fees or penalties in the nature of interest from credit card receivables and fees charged to cardholders.

(1) The receipts factor includes all credit card issuer's reimbursement fees, the numerator of which is determined by multiplying the reimbursement fees by a fraction, the numerator of which is the amount included in the numerator of the receipts factor under paragraph (j) and the denominator of which is the total amount of interest and fees or penalties in the nature of interest from credit card receivables and fees charged to cardholders.

(m) Merchant discount income derived from financial institution credit card holder transactions with a merchant must be attributed to the state in which the merchant is located. In the case of merchants located within and outside the state, only receipts from merchant discounts attributable to sales made from locations within the state are attributed to this state. It is presumed, subject to rebuttal, that the location of a merchant is the address shown on the invoice submitted by the merchant to the taxpayer of the merchant's commercial domicile.

(n) The receipts from the servicing of loans are included in the receipts factor and are attributed to this state as follows:

(1) The numerator of the receipts factor includes loan servicing fees derived from loans secured by real estate or tangible personal property multiplied by a fraction, the numerator of which is the amount included in the numerator of the receipts factor under paragraph (f) and the denominator of which is the total amount of interest and fees or penalties in the nature of interest from loans secured by real estate and tangible personal property.

(2) The numerator of the receipts factor includes loan servicing fees derived from consumer loans not secured by real estate or tangible personal property multiplied by a fraction, the numerator of which is the amount included in the numerator of the receipts factor under paragraph (g) and the denominator of which is the total amount of interest and fees or penalties in the nature of interest from loans not secured by real estate and tangible personal property.

(3) The numerator of the receipts factor includes loan servicing fees derived from commercial loans and installment obligations that are unsecured by real or tangible personal property or secured by intangible property multiplied by a fraction, the numerator of which is the amount included in the numerator of the receipts factor under paragraph (h) and the denominator of which is the total amount of interest and fees or penalties in the nature of interest from commercial loans and installment obligations that are unsecured by real or tangible personal property or secured by intangible property.

(4) The numerator of the receipts factor includes loan servicing fees derived from financial institution credit card and travel and entertainment credit card receivables and credit cardholders' fees multiplied by a fraction, the numerator of which is the amount included in the numerator of the receipts factor under paragraph (j) and the denominator of which is the total amount of interest and fees or penalties in the nature of interest from financial institution credit card and travel and entertainment credit card receivables and credit cardholders' fees.

(5) If the taxpayer receives loan servicing fees for servicing either the secured or the unsecured loans of the unrelated third party, the receipts are attributed under the principles in paragraph (o).

(4) (o) Receipts from the performance of fiduciary and other services must be attributed to the state in which the services are received. For the purposes of this section, services provided to a corporation, partnership, or trust must be attributed to a state where it has a fixed place of doing business. If the state where the services are received is not readily determinable or is a state where the corporation, partnership, or trust does not have a fixed place of doing business, the services shall be deemed to be received at the location of the office of the customer from which the services were ordered in the regular course of the customer's trade or business. If the ordering office cannot be determined, the services shall be deemed to be received at the office of the customer to which the services are billed.

~~(m) (p)~~ Receipts from the issuance of travelers checks and money orders must be attributed to the state in which the checks and money orders are purchased.

~~(n) (q) Receipts from investments of a financial institution in securities and from money market instruments must be apportioned to this state based on the ratio that total deposits from this state, its residents, including any business with an office or other place of business in this state, its political subdivisions, agencies, and instrumentalities bear to the total deposits from all states, their residents, their political subdivisions, agencies, and instrumentalities. In the case of an unregulated financial institution subject to this section, these receipts are apportioned to this state based on the ratio that its gross business income, excluding such receipts, earned from sources within this state bears to gross business income, excluding such receipts, earned from sources within all states. For purposes of this subdivision, deposits made by this state, its residents, its political subdivisions, agencies, and instrumentalities must be attributed to this state, whether or not the deposits are accepted or maintained by the taxpayer at locations are attributed to this state if the investments are properly assigned to a regular place of business of the taxpayer within this state.~~

The taxpayer has the burden of proving that investments of a financial institution in securities and from money market instruments are properly assigned to a regular place of business outside this state. Where the day-to-day decisions regarding an investment occur at more than one regular place of business, the investment is considered to be located at the regular place of business of the taxpayer where the investment or trading policies and guidelines with respect to the investment are established.

~~(o) (r)~~ A financial institution's interest in property described in section 290.015, subdivision 3, paragraph (b), is included in the receipts factor in the same manner as assets in the nature of securities or money market instruments are included in paragraph ~~(n)~~ (q).

(s) Receipts from investments in securities and money market instruments of financial institutions which are managed by a third party are assigned to the commercial domicile of the financial institution.

Sec. 20. Minnesota Statutes 1996, section 290.191, subdivision 11, is amended to read:

Subd. 11. [FINANCIAL INSTITUTIONS; PROPERTY FACTOR.] (a) For financial institutions, the property factor includes, as well as tangible property, intangible property as set forth in this subdivision.

(b) Intangible personal property must be included at its tax basis for federal income tax purposes.

(c) Goodwill must not be included in the property factor.

(d) ~~Coin and currency located in this state must be attributed to this state~~ must not be included in the property factor.

(e) ~~Lease financing receivables from both financial leases and true leases must be attributed to this state if and to the extent that the property is located~~ the receivables are properly assigned to a regular place of business of the taxpayer within this state.

(f) ~~Assets in the nature of loans that are secured by real or tangible personal property must be attributed to this state if and to the extent that the security property is located~~ the loans are properly assigned to a regular place of business of the taxpayer within this state.

(g) ~~Assets in the nature of consumer loans and installment obligations that are unsecured or secured by intangible property must be attributed to this state if the loan was made to a resident of this state.~~

(h) ~~Assets in the nature of commercial loan and installment obligations that are unsecured by real or tangible personal property or secured by intangible property must be attributed to this state if the proceeds of the loan are to be applied in this state. If it cannot be determined where the funds are to be applied, the assets must be attributed to the state in which there is located the office of the borrower from which the application would be made in the regular course of business. If this cannot be determined, the transaction is disregarded in the apportionment formula.~~

(i) ~~A participating financial institution's portion of participation and syndication loans must be attributed under paragraphs (e) to (h) and (f).~~

(j) ~~(h) Financial institution credit card and travel and entertainment credit card receivables must be attributed to the state to which the credit card charges and fees are regularly billed if the receivables are properly assigned to a regular place of business of the taxpayer within the state.~~

(k) ~~(i) Receivables arising from merchant discount income derived from financial institution credit card holder transactions with a merchant are attributed to the state in which the merchant is located. In the case of merchants located within and without the state, only receivables from merchant discounts attributable to sales made from locations within the state are attributed to this state. It is presumed, subject to rebuttal, that the location of a merchant is the address shown on the invoice submitted by the merchant to the taxpayer if the receivables are properly assigned to a regular place of business of the taxpayer within the state.~~

(l) ~~(j) Assets in the nature of securities and money market instruments are apportioned to this state based upon the ratio that total deposits from this state, its residents, its political subdivisions, agencies and instrumentalities bear to the total deposits from all states, their residents, their political subdivisions, agencies and instrumentalities. In the case of an unregulated financial institution, the assets are apportioned to this state based upon the ratio that its gross business income earned from sources within this state bears to gross business income earned from sources within all states. For purposes of this paragraph, deposits made by this state, its residents, its political subdivisions, agencies, and instrumentalities are attributed to this state, whether or not the deposits are accepted or maintained by the taxpayer at locations within this state must not be included in the property factor.~~

(m) ~~(k) A financial institution's interest in any property described in section 290.015, subdivision 3, paragraph (b), is included in the property factor in the same manner as assets in the nature of securities or money market instruments are included under paragraph (l) must not be included in the property factor.~~

(l) For the purposes of paragraphs (e) to (i), loan assets and receivables are properly assigned in this state if the preponderance of substantive contact occurred in this state. In determining where the preponderance of substantive contact occurred, the following consideration should be given:

- (1) solicitation;
- (2) investigation;
- (3) negotiation;
- (4) approval; and
- (5) administration.

Sec. 21. Minnesota Statutes 1996, section 290.21, subdivision 3, is amended to read:

Subd. 3. An amount for contribution or gifts made within the taxable year:

(a) to or for the use of the state of Minnesota, or any of its political subdivisions for exclusively public purposes,

(b) to or for the use of any community chest, corporation, organization, trust, fund, association, or foundation located in and carrying on substantially all of its activities within this state, organized and operating exclusively for religious, charitable, public cemetery, scientific, literary, artistic, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private stockholder or individual,

(c) to a fraternal society, order, or association, operating under the lodge system located in and carrying on substantially all of their activities within this state if such contributions or gifts are to be used exclusively for the purposes specified in clause (b), or for or to posts or organizations of war veterans or auxiliary units or societies of such posts or organizations, if they are within the state and no part of their net income inures to the benefit of any private shareholder or individual,

(d) to or for the use of the United States of America for exclusively public purposes if the contribution or gift consists of real property located in Minnesota,

(e) to or for the use of a foundation if the foundation is organized and operated exclusively for a purpose in clause (b), and has no part of its net earnings inuring to the benefit of a private shareholder or individual, but does not carry on substantially all of its activities within this state. The deduction under this clause equals the amount of the corporation's contributions or gifts to the foundation within the taxable year multiplied by a fraction equal to the ratio of the foundation's total expenditures during the taxable year for the benefit of organizations described in clause (b) to the foundation's total expenditures during the taxable year,

(f) the total deduction hereunder shall not exceed 15 percent of the taxpayer's taxable net income less the deductions allowable under this section other than those for contributions or gifts,

(g) in the case of a corporation reporting its taxable income on the accrual basis, if: (A) the board of directors authorizes a charitable contribution during any taxable year, and (B) payment of such contribution is made after the close of such taxable year and on or before the 15th day of the third month following the close of such taxable year; then the taxpayer may elect to treat such contribution as paid during such taxable year. The election may be made only at the time of the filing of the return for such taxable year, and shall be signified in such manner as the commissioner shall by rules prescribe,

(h) in the case of a contribution of ordinary income or capital gains property, the amount allowed as a deduction is limited to the federal amount deductible under section 170(e) of the Internal Revenue Code.

Sec. 22. Minnesota Statutes 1997 Supplement, section 290.371, subdivision 2, is amended to read:

Subd. 2. [EXEMPTIONS.] A corporation is not required to file a notice of business activities report if:

(1) by the end of an accounting period for which it was otherwise required to file a notice of business activities report under this section, it had received a certificate of authority to do business in this state;

(2) a timely return has been filed under section 289A.08;

(3) the corporation is exempt from taxation under this chapter pursuant to section 290.05; or

(4) the corporation's activities in Minnesota, or the interests in property which it owns, consist solely of activities or property exempted from jurisdiction to tax under section 290.015, subdivision 3, paragraph (b); ~~or~~

~~(5) the corporation is an "S" corporation under section 290.9725.~~

Sec. 23. Laws 1997, chapter 231, article 1, section 16, as amended by Laws 1997, First Special Session chapter 5, section 35, as amended by Laws 1997, Third Special Session chapter 3, section 11, is amended to read:

Sec. 16. [PROPERTY TAX REBATE.]

(a) A credit is allowed against the tax imposed under Minnesota Statutes, chapter 290, to an individual, other than as a dependent, as defined in sections 151 and 152 of the Internal Revenue Code, disregarding section 152(b)(3) of the Internal Revenue Code, equal to 20 percent of the qualified property tax paid ~~in calendar year 1997~~ before January 1, 1998, for taxes assessed in 1996.

(b) For property owned and occupied by the taxpayer during 1997, qualified tax means property taxes payable as defined in Minnesota Statutes, section 290A.03, subdivision 13, assessed in 1996 and payable in 1997, except the requirement that the taxpayer own and occupy the property on January 2, 1997, does not apply. The credit is allowed only to the individual and spouse, if any, who paid the tax, whether directly, through an escrow arrangement, or under a contractual agreement for the purchase or sale of the property. In the case of agricultural land assessed as part of a homestead pursuant to section 273.13, subdivision 23, the owner is allowed to calculate the credit on all property taxes on the homestead, except to the extent the owner is required to furnish a rent certificate under section 290A.19 to a tenant leasing a part of the farm homestead.

(c) For a renter, the qualified property tax means the amount of rent constituting property taxes under Minnesota Statutes, section 290A.03, subdivision 11, based on rent paid in 1997. If two or more renters could be claimants under Minnesota Statutes, chapter 290A with regard to the rent constituting property taxes, the rules under Minnesota Statutes, section 290A.03, subdivision 8, paragraph (f), applies to determine the amount of the credit for the individual.

(d) For an individual who both owned and rented principal residences in calendar year 1997, qualified taxes are the sum of the amounts under paragraphs (a) and (b).

(e) If the amount of the credit under this subdivision exceeds the taxpayer's tax liability under this chapter, the commissioner shall refund the excess.

(f) To claim a credit under this subdivision, the taxpayer must attach a copy of the property tax statement and certificate of rent paid, as applicable, and provide any additional information the commissioner requires.

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

(h) This credit applies to taxable years beginning after December 31, 1996, and before January 1, 1998.

(i) Payment of the credit under this section is subject to Minnesota Statutes, chapter 270A, and any other provision applicable to refunds under Minnesota Statutes, chapter 290.

Sec. 24. Laws 1997, chapter 231, article 5, section 18, subdivision 1, is amended to read:

Subdivision 1. [COMMISSION RESPONSIBILITIES.] (a) The legislative coordinating commission shall prepare studies of business taxation and the taxation of telecommunications services during the 1997-98 1998 interim and the 1999 legislative session, as provided by this section. The commission is responsible for managing any contracts under this section and for preparing the studies. It may delegate any or all of its responsibilities under this section to the legislative commission on planning and fiscal policy.

(b) For the business tax study under subdivision 2, the commission may appoint a formal or informal bipartisan working group of house and senate members to oversee and coordinate the study.

(c) For the study of the taxation of telecommunications services under subdivision 4, the commission shall appoint a bipartisan working group that includes house and senate members and members of the public, at least two of whom are representatives of Internet service businesses who are knowledgeable about the technologies and practices of the Internet and at least two of whom are the representatives of businesses that conduct commerce on the Internet.

Sec. 25. [STUDY OF HOME CARE TAX INCENTIVES.]

The commissioners of revenue and human services shall conduct a study on the issue of the effectiveness of tax incentives to encourage people to provide care for elderly or disabled individuals in their homes. The study must include analysis of the most effective types of incentives and their cost. The commissioners shall transmit the conclusions of the study in a report to the legislature by January 15, 1999.

Sec. 26. [REPEALER.]

Minnesota Statutes 1996, sections 289A.50, subdivision 6; and 290.191, subdivision 8, are repealed.

Sec. 27. [EFFECTIVE DATES.]

Section 1 is effective for extensions received under Minnesota Statutes, section 289A.19, subdivision 2, for tax years beginning after December 31, 1996.

Section 2 is effective retroactive to August 1, 1997. The change in section 3 made by clause (7) is effective for tax years beginning after December 31, 1996. The change in section 3 made by clause (8) is effective for tax years beginning after December 31, 1997.

Sections 4, clause (12), 5, 14, and 16, items (iii) and (vii) are effective for tax years beginning after December 31, 1996.

Section 6 is effective for tax years beginning after December 31, 1996, except the change in denominator for Minnesota Statutes, section 290.01, subdivision 19b, clause (1), is effective for tax years beginning after December 31, 1997.

Section 7 is effective for taxable years beginning after December 31, 1997.

Sections 8, 9, 10, 16, item (iv), 17, and 21 are effective for tax years beginning after December 31, 1997.

Sections 11, 18 to 20, and 22 are effective for tax years beginning after December 31, 1998.

Contingent on the agency receiving a commitment for at least \$2,000,000 from nonstate resources that would be used in coordination with the agency's programs to secure affordable housing for workers, section 13 is effective for taxable years beginning after December 31, 1998.

Section 23 is effective the day following final enactment.

Section 26 is effective for tax years beginning after December 31, 1997, except that the repeal of Minnesota Statutes, section 290.191, subdivision 8, is effective for tax years beginning after December 31, 1998.

ARTICLE 5  
FEDERAL UPDATE

Section 1. Minnesota Statutes 1997 Supplement, section 289A.02, subdivision 7, is amended to read:

Subd. 7. [INTERNAL REVENUE CODE.] Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 1996, ~~and includes the provisions of section 1(a) and (b) of Public Law Number 104-117 1997.~~

Sec. 2. Minnesota Statutes 1997 Supplement, section 290.01, subdivision 19, is amended to read:

Subd. 19. [NET INCOME.] The term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating any elections made by the taxpayer in accordance with the Internal Revenue Code in determining federal taxable income for federal income tax purposes, and with the modifications provided in subdivisions 19a to 19f.

In the case of a regulated investment company or a fund thereof, as defined in section 851(a) or 851(h) of the Internal Revenue Code, federal taxable income means investment company taxable income as defined in section 852(b)(2) of the Internal Revenue Code, except that:

(1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal Revenue Code does not apply;

(2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal Revenue Code must be applied by allowing a deduction for capital gain dividends and exempt-interest dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal Revenue Code; and

(3) the deduction for dividends paid must also be applied in the amount of any undistributed capital gains which the regulated investment company elects to have treated as provided in section 852(b)(3)(D) of the Internal Revenue Code.

The net income of a real estate investment trust as defined and limited by section 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

The net income of a designated settlement fund as defined in section 468B(d) of the Internal Revenue Code means the gross income as defined in section 468B(b) of the Internal Revenue Code.

The Internal Revenue Code of 1986, as amended through December 31, 1986, shall be in effect for taxable years beginning after December 31, 1986. The provisions of sections 10104, 10202, 10203, 10204, 10206, 10212, 10221, 10222, 10223, 10226, 10227, 10228, 10611, 10631, 10632, and 10711 of the Omnibus Budget Reconciliation Act of 1987, Public Law Number 100-203, the provisions of sections 1001, 1002, 1003, 1004, 1005, 1006, 1008, 1009, 1010, 1011, 1011A, 1011B, 1012, 1013, 1014, 1015, 1018, 2004, 3041, 4009, 6007, 6026, 6032, 6137, 6277, and 6282 of the Technical and Miscellaneous Revenue Act of 1988, Public Law Number 100-647, the provisions of sections 7811, 7816, and 7831 of the Omnibus Budget Reconciliation Act of 1989, Public Law Number 101-239, and the provisions of sections 1305, 1704(r), and 1704(e)(1) of the Small Business Job Protection Act, Public Law Number 104-188, and the provisions of sections 975 and 1604(d)(2) and (e) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, shall be effective at the time they become effective for federal income tax purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1987, shall be in effect for taxable years beginning after December 31, 1987. The provisions of sections 4001, 4002, 4011, 5021, 5041, 5053, 5075, 6003, 6008, 6011, 6030, 6031, 6033, 6057, 6064, 6066, 6079, 6130, 6176, 6180, 6182, 6280, and 6281 of the Technical and Miscellaneous Revenue Act of 1988, Public Law Number 100-647, the provisions of sections 7815 and 7821 of the Omnibus Budget Reconciliation Act of 1989, Public Law Number 101-239, and the provisions of section

11702 of the Revenue Reconciliation Act of 1990, Public Law Number 101-508, shall become effective at the time they become effective for federal tax purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1988, shall be in effect for taxable years beginning after December 31, 1988. The provisions of sections 7101, 7102, 7104, 7105, 7201, 7202, 7203, 7204, 7205, 7206, 7207, 7210, 7211, 7301, 7302, 7303, 7304, 7601, 7621, 7622, 7641, 7642, 7645, 7647, 7651, and 7652 of the Omnibus Budget Reconciliation Act of 1989, Public Law Number 101-239, the provision of section 1401 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Public Law Number 101-73, the provisions of sections 11701 and 11703 of the Revenue Reconciliation Act of 1990, Public Law Number 101-508, and the provisions of sections 1702(g) and 1704(f)(2)(A) and (B) of the Small Business Job Protection Act, Public Law Number 104-188, shall become effective at the time they become effective for federal tax purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1989, shall be in effect for taxable years beginning after December 31, 1989. The provisions of sections 11321, 11322, 11324, 11325, 11403, 11404, 11410, and 11521 of the Revenue Reconciliation Act of 1990, Public Law Number 101-508, and the provisions of sections 13224 and 13261 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1990, shall be in effect for taxable years beginning after December 31, 1990.

The provisions of section 13431 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, shall become effective at the time they became effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1991, shall be in effect for taxable years beginning after December 31, 1991.

The provisions of sections 1936 and 1937 of the Comprehensive National Energy Policy Act of 1992, Public Law Number 102-486, and the provisions of sections 13101, 13114, 13122, 13141, 13150, 13151, 13174, 13239, 13301, and 13442 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, and the provisions of section 1604(a)(1), (2), and (3) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1992, shall be in effect for taxable years beginning after December 31, 1992.

The provisions of sections 13116, 13121, 13206, 13210, 13222, 13223, 13231, 13232, 13233, 13239, 13262, and 13321 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, and the provisions of sections 1703(a), 1703(d), 1703(i), 1703(l), and 1703(m) of the Small Business Job Protection Act, Public Law Number 104-188, and the provision of section 1604(c) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1993, shall be in effect for taxable years beginning after December 31, 1993.

The provision of section 741 of Legislation to Implement Uruguay Round of General Agreement on Tariffs and Trade, Public Law Number 103-465, the provisions of sections 1, 2, and 3, of the Self-Employed Health Insurance Act of 1995, Public Law Number 104-7, the provision of section 501(b)(2) of the Health Insurance Portability and Accountability Act, Public Law Number 104-191, and the provisions of sections 1604 and 1704(p)(1) and (2) of the Small Business Job Protection Act, Public Law Number 104-188, and the provisions of sections 1011, 1211(b)(1), and 1602(f) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1994, shall be in effect for taxable years beginning after December 31, 1994.

The provisions of sections 1119(a), 1120, 1121, 1202(a), 1444, 1449(b), 1602(a), 1610(a), 1613, and 1805 of the Small Business Job Protection Act, Public Law Number 104-188, and the provision of section 511 of the Health Insurance Portability and Accountability Act, Public Law Number 104-191, and the provisions of sections 1174 and 1601(i)(2) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through March 22, 1996, is in effect for taxable years beginning after December 31, 1995.

The provisions of sections 1113(a), 1117, 1206(a), 1313(a), 1402(a), 1403(a), 1443, 1450, 1501(a), 1605, 1611(a), 1612, 1616, 1617, 1704(l), and 1704(m) of the Small Business Job Protection Act, Public Law Number 104-188, and the provisions of Public Law Number 104-117, and the provisions of sections 313(a) and (b)(1), 602(a), 913(b), 941, 961, 971, 1001(a) and (b), 1002, 1003, 1012, 1013, 1014, 1061, 1062, 1081, 1084(b), 1086, 1087, 1111(a), 1131(b) and (c), 1211(b), 1213, 1530(c)(2), 1601(f)(5) and (h), and 1604(d)(1) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1996, shall be in effect for taxable years beginning after December 31, 1996.

The provisions of sections 202(a) and (b), 221(a), 225, 312, 313, 913(a), 934, 962, 1004, 1005, 1052, 1063, 1084(a) and (c), 1089, 1112, 1171, 1204, 1271(a) and (b), 1305(a), 1306, 1307, 1308, 1309, 1501(b), 1502(b), 1504(a), 1505, 1527, 1528, 1530, 1601(d), (e), (f), and (i) and 1602(a), (b), (c), and (e) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1997, shall be in effect for taxable years beginning after December 31, 1997.

Except as otherwise provided, references to the Internal Revenue Code in subdivisions 19a to 19g mean the code in effect for purposes of determining net income for the applicable year.

Sec. 3. Minnesota Statutes 1997 Supplement, section 290.01, subdivision 19a, is amended to read:

Subd. 19a. [ADDITIONS TO FEDERAL TAXABLE INCOME.] For individuals, estates, and trusts, there shall be added to federal taxable income:

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

(ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, except the portion of the exempt-interest dividends derived from interest income on obligations of the state of Minnesota or its political or governmental subdivisions, municipalities, governmental agencies or instrumentalities, but only if the portion of the exempt-interest dividends from such Minnesota sources paid to all shareholders represents 95 percent or more of the exempt-interest dividends that are paid by the regulated investment company as defined in section 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as defined in section 851(h) of the Internal Revenue Code, making the payment; and

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

(2) the amount of income taxes paid or accrued within the taxable year under this chapter and income taxes paid to any other state or to any province or territory of Canada, to the extent allowed as a deduction under section 63(d) of the Internal Revenue Code, but the addition may not

be more than the amount by which the itemized deductions as allowed under section 63(d) of the Internal Revenue Code exceeds the amount of the standard deduction as defined in section 63(c) of the Internal Revenue Code. For the purpose of this paragraph, the disallowance of itemized deductions under section 68 of the Internal Revenue Code of 1986, income tax is the last itemized deduction disallowed;

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

(4) the amount of income taxes paid or accrued within the taxable year under this chapter and income taxes paid to any other state or any province or territory of Canada, to the extent allowed as a deduction in determining federal adjusted gross income. For the purpose of this paragraph, income taxes do not include the taxes imposed by sections 290.0922, subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

(5) the amount of loss or expense included in federal taxable income under section 1366 of the Internal Revenue Code flowing from a corporation that has a valid election in effect for the taxable year under section 1362 of the Internal Revenue Code, but which is not allowed to be an "S" corporation under section 290.9725; and

(6) the amount of any distributions in cash or property made to a shareholder during the taxable year by a corporation that has a valid election in effect for the taxable year under section 1362 of the Internal Revenue Code, but which is not allowed to be an "S" corporation under section 290.9725 to the extent not already included in federal taxable income under section 1368 of the Internal Revenue Code;

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

(8) upon withdrawal of funds from a Roth IRA authorized under section 408A of the Internal Revenue Code or from an education IRA authorized under section 530 of the Internal Revenue Code, the amount withdrawn that exceeds the amount of unwithdrawn contributions made to the fund over all years on the basis that withdrawals are first made out of contributions.

Sec. 4. Minnesota Statutes 1997 Supplement, section 290.01, subdivision 19b, is amended to read:

Subd. 19b. [SUBTRACTIONS FROM FEDERAL TAXABLE INCOME.] For individuals, estates, and trusts, there shall be subtracted from federal taxable income:

(1) interest income on obligations of any authority, commission, or instrumentality of the United States to the extent includable in taxable income for federal income tax purposes but exempt from state income tax under the laws of the United States;

(2) if included in federal taxable income, the amount of any overpayment of income tax to Minnesota or to any other state, for any previous taxable year, whether the amount is received as a refund or as a credit to another taxable year's income tax liability;

(3) the amount paid to others, less the credit allowed under section 290.0674, not to exceed \$1,625 for each dependent in grades kindergarten to 6 and \$2,500 for each dependent in grades 7 to 12, for tuition, textbooks, and transportation of each dependent in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363. For the purposes of this clause, "tuition" includes fees or tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause, "textbooks" includes books and other instructional materials and equipment used in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. Equipment expenses qualifying for deduction includes expenses as defined and limited in section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional books and

materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or transportation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs;

(4) to the extent included in federal taxable income, distributions from a qualified governmental pension plan, an individual retirement account, simplified employee pension, or qualified plan covering a self-employed person that represent a return of contributions that were included in Minnesota gross income in the taxable year for which the contributions were made but were deducted or were not included in the computation of federal adjusted gross income. The distribution shall be allocated first to return of contributions until the contributions included in Minnesota gross income have been exhausted. This subtraction applies only to contributions made in a taxable year prior to 1985;

(5) income as provided under section 290.0802;

(6) the amount of unrecovered accelerated cost recovery system deductions allowed under subdivision 19g;

(7) to the extent included in federal adjusted gross income, income realized on disposition of property exempt from tax under section 290.491;

(8) to the extent not deducted in determining federal taxable income, the amount paid for health insurance of self-employed individuals as determined under section 162(l) of the Internal Revenue Code, except that the 25 percent limit does not apply. If the taxpayer deducted insurance payments under section 213 of the Internal Revenue Code of 1986, the subtraction under this clause must be reduced by the lesser of:

(i) the total itemized deductions allowed under section 63(d) of the Internal Revenue Code, less state, local, and foreign income taxes deductible under section 164 of the Internal Revenue Code and the standard deduction under section 63(c) of the Internal Revenue Code; or

(ii) the lesser of (A) the amount of insurance qualifying as "medical care" under section 213(d) of the Internal Revenue Code to the extent not deducted under section 162(1) of the Internal Revenue Code or excluded from income or (B) the total amount deductible for medical care under section 213(a);

(9) the exemption amount allowed under Laws 1995, chapter 255, article 3, section 2, subdivision 3;

(10) to the extent included in federal taxable income, postservice benefits for youth community service under section 121.707 for volunteer service under United States Code, title 42, section 5011(d), as amended; and

(11) the amount of income or gain included in federal taxable income under section 1366 of the Internal Revenue Code flowing from a corporation that has a valid election in effect for the taxable year under section 1362 of the Internal Revenue Code which is not allowed to be an "S" corporation under section 290.9725; and

(12) upon the final withdrawal of funds from a Roth IRA authorized under section 408A of the Internal Revenue Code or from an education IRA under section 530 of the Internal Revenue Code, the amount by which the total of unwithdrawn contributions to the account over all years exceeds the amount in the account.

Sec. 5. Minnesota Statutes 1997 Supplement, section 290.01, subdivision 19c, is amended to read:

Subd. 19c. [CORPORATIONS; ADDITIONS TO FEDERAL TAXABLE INCOME.] For corporations, there shall be added to federal taxable income:

(1) the amount of any deduction taken for federal income tax purposes for income, excise, or franchise taxes based on net income or related minimum taxes paid by the corporation to

Minnesota, another state, a political subdivision of another state, the District of Columbia, or any foreign country or possession of the United States;

(2) interest not subject to federal tax upon obligations of: the United States, its possessions, its agencies, or its instrumentalities; the state of Minnesota or any other state, any of its political or governmental subdivisions, any of its municipalities, or any of its governmental agencies or instrumentalities; the District of Columbia; or Indian tribal governments;

(3) exempt-interest dividends received as defined in section 852(b)(5) of the Internal Revenue Code;

(4) the amount of any net operating loss deduction taken for federal income tax purposes under section 172 or 832(c)(10) of the Internal Revenue Code or operations loss deduction under section 810 of the Internal Revenue Code;

(5) the amount of any special deductions taken for federal income tax purposes under sections 241 to 247 of the Internal Revenue Code;

(6) losses from the business of mining, as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota income tax;

(7) the amount of any capital losses deducted for federal income tax purposes under sections 1211 and 1212 of the Internal Revenue Code;

(8) the amount of any charitable contributions deducted for federal income tax purposes under section 170 of the Internal Revenue Code;

(9) the exempt foreign trade income of a foreign sales corporation under sections 921(a) and 291 of the Internal Revenue Code;

(10) the amount of percentage depletion deducted under sections 611 through 614 and 291 of the Internal Revenue Code;

(11) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, the amount of the amortization deduction allowed in computing federal taxable income for those facilities;

(12) the amount of any deemed dividend from a foreign operating corporation determined pursuant to section 290.17, subdivision 4, paragraph (g); ~~and~~

(13) the amount of any environmental tax paid under section 59(a) of the Internal Revenue Code; and

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

Sec. 6. Minnesota Statutes 1997 Supplement, section 290.01, subdivision 31, is amended to read:

Subd. 31. [INTERNAL REVENUE CODE.] Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 1996, ~~and includes the provisions of section 1(a) and (b) of Public Law Number 104-117 1997.~~

Sec. 7. Minnesota Statutes 1996, section 290.06, subdivision 2c, is amended to read:

Subd. 2c. [SCHEDULES OF RATES FOR INDIVIDUALS, ESTATES, AND TRUSTS.] (a) The income taxes imposed by this chapter upon married individuals filing joint returns and surviving spouses as defined in section 2(a) of the Internal Revenue Code must be computed by applying to their taxable net income the following schedule of rates:

(1) On the first \$19,910, 6 percent;

(2) On all over \$19,910, but not over \$79,120, 8 percent;

(3) On all over \$79,120, 8.5 percent.

Married individuals filing separate returns, estates, and trusts must compute their income tax by applying the above rates to their taxable income, except that the income brackets will be one-half of the above amounts.

(b) The income taxes imposed by this chapter upon unmarried individuals must be computed by applying to taxable net income the following schedule of rates:

(1) On the first \$13,620, 6 percent;

(2) On all over \$13,620, but not over \$44,750, 8 percent;

(3) On all over \$44,750, 8.5 percent.

(c) The income taxes imposed by this chapter upon unmarried individuals qualifying as a head of household as defined in section 2(b) of the Internal Revenue Code must be computed by applying to taxable net income the following schedule of rates:

(1) On the first \$16,770, 6 percent;

(2) On all over \$16,770, but not over \$67,390, 8 percent;

(3) On all over \$67,390, 8.5 percent.

(d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax of any individual taxpayer whose taxable net income for the taxable year is less than an amount determined by the commissioner must be computed in accordance with tables prepared and issued by the commissioner of revenue based on income brackets of not more than \$100. The amount of tax for each bracket shall be computed at the rates set forth in this subdivision, provided that the commissioner may disregard a fractional part of a dollar unless it amounts to 50 cents or more, in which case it may be increased to \$1.

(e) An individual who is not a Minnesota resident for the entire year must compute the individual's Minnesota income tax as provided in this subdivision. After the application of the nonrefundable credits provided in this chapter, the tax liability must then be multiplied by a fraction in which:

(1) The numerator is the individual's Minnesota source federal adjusted gross income as defined in section 62 of the Internal Revenue Code increased by the ~~addition~~ additions required for ~~interest income from non-Minnesota state and municipal bonds~~ under section 290.01, subdivision 19a, ~~elause clauses (1) and (7)~~, after applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

(2) the denominator is the individual's federal adjusted gross income as defined in section 62 of the Internal Revenue Code of 1986, ~~as amended through April 15, 1995~~, increased by the ~~addition~~ amounts specified required for ~~interest income from non-Minnesota state and municipal bonds~~ under section 290.01, subdivision 19a, ~~elause~~ clauses (1) and (7).

Sec. 8. Minnesota Statutes 1996, section 290.067, subdivision 2a, is amended to read:

Subd. 2a. [INCOME.] (a) For purposes of this section, "income" means the sum of the following:

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

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

(i) all nontaxable income;

(ii) the amount of a passive activity loss that is not disallowed as a result of section 469,

paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;

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

(iv) cash public assistance and relief;

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

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

(vii) workers' compensation;

(viii) nontaxable strike benefits;

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

(x) a lump sum distribution under section 402(e)(3) of the Internal Revenue Code;

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

(xii) nontaxable scholarship or fellowship grants.

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

(b) "Income" does not include:

(1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a), and 102, ~~and 124~~;

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

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

(4) relief granted under chapter 290A; and

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

Sec. 9. Minnesota Statutes 1997 Supplement, section 290.0671, subdivision 1, is amended to read:

Subdivision 1. [CREDIT ALLOWED.] An individual is allowed a credit against the tax imposed by this chapter equal to a percentage of the credit for which the individual is eligible under section 32 of the Internal Revenue Code disregarding the supplemental child credit of clause (m)[(n)]. The percentage is 15 for individuals without a qualifying child, and 25 for individuals with at least one qualifying child. For purposes of this section, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code.

For a nonresident or part-year resident, the credit determined under section 32 of the Internal Revenue Code must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

For a person who was a resident for the entire tax year and has earned income not subject to tax under this chapter, the credit must be allocated based on the ratio of federal adjusted gross income reduced by the earned income not subject to tax under this chapter over federal adjusted gross income.

Sec. 10. Minnesota Statutes 1996, section 290.0921, subdivision 3a, is amended to read:

Subd. 3a. [EXEMPTIONS.] The following entities are exempt from the tax imposed by this section:

(1) cooperatives taxable under subchapter T of the Internal Revenue Code or organized under chapter 308 or a similar law of another state;

(2) corporations subject to tax under section 60A.15, subdivision 1;

(3) real estate investment trusts;

(4) regulated investment companies or a fund thereof; and

(5) entities having a valid election in effect under section 860D(b) of the Internal Revenue Code; and

(6) small corporations exempt from the federal alternative minimum tax under section 55(e) of the Internal Revenue Code.

Sec. 11. Minnesota Statutes 1996, section 290A.03, subdivision 3, is amended to read:

Subd. 3. [INCOME.] (1) "Income" means the sum of the following:

(a) federal adjusted gross income as defined in the Internal Revenue Code; and

(b) the sum of the following amounts to the extent not included in clause (a):

(i) all nontaxable income;

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

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

(iv) cash public assistance and relief;

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

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

(vii) workers' compensation;

(viii) nontaxable strike benefits;

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

(x) a lump sum distribution under section 402(e)(3) of the Internal Revenue Code;

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

(xii) nontaxable scholarship or fellowship grants.

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

(2) "Income" does not include

(a) amounts excluded pursuant to the Internal Revenue Code, sections 101(a), and 102, ~~and 121~~;

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

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

(d) relief granted under this chapter; or

(e) child support payments received under a temporary or final decree of dissolution or legal separation.

(3) The sum of the following amounts may be subtracted from income:

(a) for the claimant's first dependent, the exemption amount multiplied by 1.4;

(b) for the claimant's second dependent, the exemption amount multiplied by 1.3;

(c) for the claimant's third dependent, the exemption amount multiplied by 1.2;

(d) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;

(e) for the claimant's fifth dependent, the exemption amount; and

(f) if the claimant or claimant's spouse was disabled or attained the age of 65 on or before December 31 of the year for which the taxes were levied or rent paid, the exemption amount.

For purposes of this subdivision, the "exemption amount" means the exemption amount under section 151(d) of the Internal Revenue Code for the taxable year for which the income is reported.

Sec. 12. Minnesota Statutes 1997 Supplement, section 290A.03, subdivision 15, is amended to read:

Subd. 15. [INTERNAL REVENUE CODE.] "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, ~~1996~~ 1997.

Sec. 13. Minnesota Statutes 1997 Supplement, section 291.005, subdivision 1, is amended to read:

Subdivision 1. Unless the context otherwise clearly requires, the following terms used in this chapter shall have the following meanings:

(1) "Federal gross estate" means the gross estate of a decedent as valued and otherwise determined for federal estate tax purposes by federal taxing authorities pursuant to the provisions of the Internal Revenue Code.

(2) "Minnesota gross estate" means the federal gross estate of a decedent after (a) excluding therefrom any property included therein which has its situs outside Minnesota and (b) including therein any property omitted from the federal gross estate which is includable therein, has its situs in Minnesota, and was not disclosed to federal taxing authorities.

(3) "Personal representative" means the executor, administrator or other person appointed by the court to administer and dispose of the property of the decedent. If there is no executor, administrator or other person appointed, qualified, and acting within this state, then any person in actual or constructive possession of any property having a situs in this state which is included in the federal gross estate of the decedent shall be deemed to be a personal representative to the extent of the property and the Minnesota estate tax due with respect to the property.

(4) "Resident decedent" means an individual whose domicile at the time of death was in Minnesota.

(5) "Nonresident decedent" means an individual whose domicile at the time of death was not in Minnesota.

(6) "Situs of property" means, with respect to real property, the state or country in which it is located; with respect to tangible personal property, the state or country in which it was normally kept or located at the time of the decedent's death; and with respect to intangible personal property, the state or country in which the decedent was domiciled at death.

(7) "Commissioner" means the commissioner of revenue or any person to whom the commissioner has delegated functions under this chapter.

(8) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through December 31, 1996, and includes the provisions of section 1(a)(4) of Public Law Number 104-117 1997.

#### Sec. 14. [EFFECTIVE DATES.]

Sections 1, 3, 5, and 7 to 11 are effective for tax years beginning after December 31, 1997.

Sections 6, 12, and 13 are effective at the same time federal changes made by the Taxpayer Relief Act of 1997, Public Law Number 105-34, which are incorporated into Minnesota Statutes, chapters 290, 290A, and 291 by these sections become effective for federal tax purposes.

### ARTICLE 6

#### SALES AND EXCISE TAXES

Section 1. Minnesota Statutes 1996, section 297A.02, subdivision 2, is amended to read:

Subd. 2. [MACHINERY AND EQUIPMENT.] Notwithstanding the provisions of subdivision 1, the rate of the excise tax imposed upon sales of farm machinery and aquaculture production equipment is ~~2.5~~ two percent for sales after June 30, 1998, and before July 1, 1999, and one percent for sales after June 30, 1999, and before July 1, 2000.

Sec. 2. Minnesota Statutes 1996, section 297A.02, subdivision 4, is amended to read:

Subd. 4. [MANUFACTURED HOUSING AND PARK TRAILERS.] Notwithstanding the provisions of subdivision 1, for sales at retail of manufactured homes as defined in section 327.31, subdivision 6, that is used for residential purposes ~~and new or used park trailers, as defined in section 168.011, subdivision 8, paragraph (b),~~ the excise tax is imposed upon 65 percent of the sales price dealer's cost of the home ~~or, and for sales of new and used park trailers, as defined in section 168.011, subdivision 8, paragraph (b),~~ the excise tax is imposed upon 65 percent of the sales price of the park trailer.

Sec. 3. Minnesota Statutes 1996, section 297A.135, subdivision 4, is amended to read:

Subd. 4. [EXEMPTION EXEMPTIONS.] (a) The tax and the fee imposed by this section do not apply to a lease or rental of (1) a vehicle to be used by the lessee to provide a licensed taxi

service; (2) a hearse or limousine used in connection with a burial or funeral service; or (3) a van designed or adapted primarily for transporting property rather than passengers.

(b) The fee imposed by this section does not apply if:

(1) the lessor either:

(i) has available for rent during the calendar year no more than 20 registered vehicles; or

(ii) had during the previous calendar year not more than \$50,000 in gross receipts that would otherwise, except for the exemption provided by this paragraph, have been subject to tax under this section;

(2) the lessor pays the registration tax under chapter 168; and

(3) the lessor elects not to charge the fee.

Sec. 4. Minnesota Statutes 1997 Supplement, section 297A.25, subdivision 11, is amended to read:

Subd. 11. [SALES TO GOVERNMENT.] The gross receipts from all sales, including sales in which title is retained by a seller or a vendor or is assigned to a third party under an installment sale or lease purchase agreement under section 465.71, of tangible personal property to, and all storage, use or consumption of such property by, the United States and its agencies and instrumentalities, the University of Minnesota, state universities, community colleges, technical colleges, state academies, the Lola and Rudy Perpich Minnesota center for arts education, and school districts, public libraries, public library systems, multicounty, multitype library systems as defined in section 134.001, county law libraries under chapter 134A, the state library under section 480.09, and the legislative reference library are exempt.

As used in this subdivision, "school districts" means public school entities and districts of every kind and nature organized under the laws of the state of Minnesota, including, without limitation, school districts, intermediate school districts, education districts, service cooperatives, secondary vocational cooperative centers, special education cooperatives, joint purchasing cooperatives, telecommunication cooperatives, regional management information centers, and any instrumentality of a school district, as defined in section 471.59.

Sales exempted by this subdivision include sales under section 297A.01, subdivision 3, paragraph (f).

Sales to hospitals and nursing homes owned and operated by political subdivisions of the state are exempt under this subdivision.

~~The sales to and exclusively for the use of libraries of books, periodicals, audio-visual materials and equipment, photocopiers for use by the public, and all cataloguing and circulation equipment, and cataloguing and circulation software for library use are exempt under this subdivision. For purposes of this paragraph "libraries" means libraries as defined in section 134.001, county law libraries under chapter 134A, the state library under section 480.09, and the legislative reference library.~~

Sales of supplies and equipment used in the operation of an ambulance service owned and operated by a political subdivision of the state are exempt under this subdivision provided that the supplies and equipment are used in the course of providing medical care. Sales to a political subdivision of repair and replacement parts for emergency rescue vehicles and fire trucks and apparatus are exempt under this subdivision.

Sales to a political subdivision of machinery and equipment, except for motor vehicles, used directly for mixed municipal solid waste management services at a solid waste disposal facility as defined in section 115A.03, subdivision 10, are exempt under this subdivision.

Sales to political subdivisions of chore and homemaking services to be provided to elderly or disabled individuals are exempt.

Sales to a town of gravel and of machinery, equipment, and accessories, except motor vehicles, used exclusively for road maintenance are exempt.

Sales of telephone services to the department of administration that are used to provide telecommunications services through the intertechnologies revolving fund are exempt under this subdivision.

This exemption shall not apply to building, construction or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a building or facility. This exemption does not apply to construction materials purchased by tax exempt entities or their contractors to be used in constructing buildings or facilities which will not be used principally by the tax exempt entities.

This exemption does not apply to the leasing of a motor vehicle as defined in section 297B.01, subdivision 5, except for leases entered into by the United States or its agencies or instrumentalities.

The tax imposed on sales to political subdivisions of the state under this section applies to all political subdivisions other than those explicitly exempted under this subdivision, notwithstanding section 115A.69, subdivision 6, 116A.25, 360.035, 458A.09, 458A.30, 458D.23, 469.101, subdivision 2, 469.127, 473.448, 473.545, or 473.608 or any other law to the contrary enacted before 1992.

Sales exempted by this subdivision include sales made to other states or political subdivisions of other states, if the sale would be exempt from taxation if it occurred in that state, but do not include sales under section 297A.01, subdivision 3, paragraphs (c) and (e).

Sec. 5. Minnesota Statutes 1997 Supplement, section 297A.25, subdivision 59, is amended to read:

Subd. 59. [FARM MACHINERY.] The gross receipts from the sale of used farm machinery and, after June 30, 2000, the gross receipts from the sale of new farm machinery, are exempt.

Sec. 6. Minnesota Statutes 1996, section 297A.25, is amended by adding a subdivision to read:

Subd. 73. [BIOSOLIDS PROCESSING EQUIPMENT.] The gross receipts from the sale of and the storage, use, or consumption of equipment designed to process, dewater, and recycle biosolids for wastewater treatment facilities of political subdivisions, and materials incidental to installation of that equipment, are exempt.

Sec. 7. Minnesota Statutes 1996, section 297A.25, is amended by adding a subdivision to read:

Subd. 74. [CONSTRUCTION MATERIALS; DULUTH ENTERTAINMENT CONVENTION CENTER.] Purchases of materials, supplies, or equipment used or consumed in the construction, equipment, improvement, or expansion of the Duluth entertainment convention center are exempt from the tax imposed under this chapter and from any sales and use tax imposed by a local unit of government notwithstanding any ordinance or charter provision. This exemption applies regardless of whether the materials, supplies, or equipment are purchased by the city or by a construction manager or contractor.

Sec. 8. Minnesota Statutes 1996, section 297A.25, is amended by adding a subdivision to read:

Subd. 75. [CONSTRUCTION MATERIALS; MINNEAPOLIS CONVENTION CENTER.] Purchases of materials, supplies, or equipment used or consumed in the construction, equipment, improvement, or expansion of the Minneapolis convention center are exempt from the tax imposed under this chapter and from any sales and use tax imposed by a local unit of government notwithstanding any ordinance or charter provision. This exemption applies regardless of whether the materials, supplies, or equipment are purchased by the city or by a construction manager or contractor.

Sec. 9. Minnesota Statutes 1996, section 297A.25, is amended by adding a subdivision to read:

Subd. 76. [CONSTRUCTION MATERIALS; RIVERCENTRE ARENA.] Purchases of materials, supplies, or equipment used or consumed in the construction, equipment, improvement, or expansion of the Rivercentre arena complex in the city of St. Paul are exempt from the tax imposed under this chapter and from any sales and use tax imposed by a local unit of government notwithstanding any ordinance or charter provision. This exemption applies regardless of whether the materials, supplies, or equipment are purchased by the city or by a construction manager or contractor.

Sec. 10. Minnesota Statutes 1997 Supplement, section 297A.25, is amended by adding a subdivision to read:

Subd. 77. [CONSTRUCTION MATERIALS FOR AN ENVIRONMENTAL LEARNING CENTER.] Construction materials and supplies are exempt from the tax imposed under this section, regardless of whether purchased by the owner or a contractor, subcontractor, or builder, if they are used or consumed in constructing or improving the Long Lake Conservation Center pursuant to the funding provided under Laws 1994, chapter 643, section 23, subdivision 28, as amended by Laws 1995 First Special Session, chapter 2, article 1, section 48; and Laws 1996, chapter 463, section 7, subdivision 26. The tax shall be calculated and paid as if the rate in section 297A.02, subdivision 1, was in effect and a refund applied for in the manner prescribed in section 297A.15, subdivision 7.

Sec. 11. Minnesota Statutes 1996, section 297A.25, is amended by adding a subdivision to read:

Subd. 78. [SOYBEAN OILSEED PROCESSING AND REFINING FACILITY.] Purchases of construction materials and supplies are exempt from the sales and use taxes imposed under this chapter, regardless of whether purchased by the owner or a contractor, subcontractor, or builder, if:

- (1) the materials and supplies are used or consumed in constructing a facility for soybean oilseed processing and refining;
- (2) the total capital investment made in the facility is at least \$60,000,000; and
- (3) the facility is constructed by a Minnesota-based cooperative, organized under chapter 308A.

Sec. 12. Minnesota Statutes 1997 Supplement, section 297A.256, subdivision 1, is amended to read:

Subdivision 1. [FUNDRAISING SALES BY NONPROFIT GROUPS.] Notwithstanding the provisions of this chapter, the following sales made by a "nonprofit organization" are exempt from the sales and use tax.

(a)(1) All sales made by an organization for fundraising purposes if that organization exists solely for the purpose of providing educational or social activities for young people primarily age 18 and under. This exemption shall apply only if the gross annual sales receipts of the organization from fundraising do not exceed \$10,000.

(2) A club, association, or other organization of elementary or secondary school students organized for the purpose of carrying on sports, educational, or other extracurricular activities is a separate organization from the school district or school for purposes of applying the \$10,000 limit. This paragraph does not apply if the sales are derived from admission charges or from activities for which the money must be deposited with the school district treasurer under section 123.38, subdivision 2, or be recorded in the same manner as other revenues or expenditures of the school district under section 123.38, subdivision 2b.

(b) All sales made by an organization for fundraising purposes if that organization is a senior citizen group or association of groups that in general limits membership to persons age 55 or older and is organized and operated exclusively for pleasure, recreation and other nonprofit purposes and no part of the net earnings inure to the benefit of any private shareholders. This exemption shall apply only if the gross annual sales receipts of the organization from fundraising do not exceed \$10,000.

(c) The gross receipts from the sales of tangible personal property at, admission charges for, and sales of food, meals, or drinks at fundraising events sponsored by a nonprofit organization when the entire proceeds, except for the necessary expenses therewith, will be used solely and exclusively for charitable, religious, or educational purposes. This exemption does not apply to admission charges for events involving bingo or other gambling activities or to charges for use of amusement devices involving bingo or other gambling activities. For purposes of this paragraph, a "nonprofit organization" means any unit of government, corporation, society, association, foundation, or institution organized and operated for charitable, religious, educational, civic, fraternal, senior citizens' or veterans' purposes, no part of the net earnings of which inures to the benefit of a private individual.

If the profits are not used solely and exclusively for charitable, religious, or educational purposes, the entire gross receipts are subject to tax.

Each nonprofit organization shall keep a separate accounting record, including receipts and disbursements from each fundraising event. All deductions from gross receipts must be documented with receipts and other records. If records are not maintained as required, the entire gross receipts are subject to tax.

The exemption provided by this paragraph does not apply to any sale made by or in the name of a nonprofit corporation as the active or passive agent of a person that is not a nonprofit corporation.

The exemption for fundraising events under this paragraph is limited to no more than 24 days a year. Fundraising events conducted on premises leased for more than ~~four~~ five days but less than 30 days do not qualify for this exemption.

(d) The gross receipts from the sale or use of tickets or admissions to a golf tournament held in Minnesota are exempt if the beneficiary of the tournament's net proceeds qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code, as amended through December 31, 1994, including a tournament conducted on premises leased or occupied for more than four days.

Sec. 13. Minnesota Statutes 1997 Supplement, section 297B.03, is amended to read:

297B.03 [EXEMPTIONS.]

There is specifically exempted from the provisions of this chapter and from computation of the amount of tax imposed by it the following:

(1) Purchase or use, including use under a lease purchase agreement or installment sales contract made pursuant to section 465.71, of any motor vehicle by the United States and its agencies and instrumentalities and by any person described in and subject to the conditions provided in section 297A.25, subdivision 18.

(2) Purchase or use of any motor vehicle by any person who was a resident of another state at the time of the purchase and who subsequently becomes a resident of Minnesota, provided the purchase occurred more than 60 days prior to the date such person began residing in the state of Minnesota.

(3) Purchase or use of any motor vehicle by any person making a valid election to be taxed under the provisions of section 297A.211.

(4) Purchase or use of any motor vehicle previously registered in the state of Minnesota when such transfer constitutes a transfer within the meaning of section 351 or 721 of the Internal Revenue Code of 1986, as amended through December 31, 1988.

(5) Purchase or use of any vehicle owned by a resident of another state and leased to a Minnesota based private or for hire carrier for regular use in the transportation of persons or property in interstate commerce provided the vehicle is titled in the state of the owner or secured party, and that state does not impose a sales tax or sales tax on motor vehicles used in interstate commerce.

(6) Purchase or use of a motor vehicle by a private nonprofit or public educational institution for use as an instructional aid in automotive training programs operated by the institution. "Automotive training programs" includes motor vehicle body and mechanical repair courses but does not include driver education programs.

(7) Purchase of a motor vehicle for use as an ambulance by an ambulance service licensed under section 144E.10.

(8) Purchase of a motor vehicle by or for a public library, as defined in section 134.001, subdivision 2, as a bookmobile or library delivery vehicle.

(9) Purchase or use of a motor vehicle by a town for use exclusively for road maintenance, including snowplows and dump trucks, but not including automobiles, vans, or pickup trucks.

Sec. 14. Minnesota Statutes 1997 Supplement, section 297G.01, is amended by adding a subdivision to read:

Subd. 3a. [CIDER.] "Cider" means a product that contains not less than one-half of one percent nor more than seven percent alcohol by volume and is made from the alcoholic fermentation of the juice of apples. Cider includes, but is not limited to, flavored, sparkling, and carbonated cider.

Sec. 15. Minnesota Statutes 1997 Supplement, section 297G.03, subdivision 1, is amended to read:

Subdivision 1. [GENERAL RATE; DISTILLED SPIRITS AND WINE.] The following excise tax is imposed on all distilled spirits and wine manufactured, imported, sold, or possessed in this state:

|  | Standard                 | Metric                  |
|--|--------------------------|-------------------------|
| (a) Distilled spirits, liqueurs, cordials, and specialties regardless of alcohol content (excluding ethyl alcohol)           | \$5.03 per gallon        | \$1.33 per liter        |
| (b) Wine containing 14 percent or less alcohol by volume <u>(except cider as defined in section 297G.01, subdivision 3a)</u> | \$ .30 per gallon        | \$ .08 per liter        |
| (c) Wine containing more than 14 percent but not more than 21 percent alcohol by volume                                      | \$ .95 per gallon        | \$ .25 per liter        |
| (d) Wine containing more than 21 percent but not more than 24 percent alcohol by volume                                      | \$1.82 per gallon        | \$ .48 per liter        |
| (e) Wine containing more than 24 percent alcohol by volume   | \$3.52 per gallon        | \$ .93 per liter        |
| (f) Natural and artificial sparkling wines containing alcohol  | \$1.82 per gallon        | \$ .48 per liter        |
| <u>(g) Cider as defined in section 297G.01, subdivision 3a</u>   | <u>\$ .15 per gallon</u> | <u>\$ .04 per liter</u> |

In computing the tax on a package of distilled spirits or wine, a proportional tax at a like rate on

all fractional parts of a gallon or liter must be paid, except that the tax on a fractional part of a gallon less than 1/16 of a gallon is the same as for 1/16 of a gallon.

Sec. 16. Laws 1997, chapter 231, article 7, section 47, is amended to read:

Sec. 47. [EFFECTIVE DATES.]

Section 1 is effective for refund claims filed after June 30, 1997.

Sections 2, 6, 7, 9, 13, 15, 16, 17, 18, 20, 21, 25, 31, and 32 are effective for purchases, sales, storage, use, or consumption occurring after June 30, 1997.

Section 3 is effective on July 1, 1997, or upon adoption of the corresponding rules, whichever occurs earlier.

Section 4, paragraph (i), clause (iv), is effective for purchases and sales occurring after September 30, 1987; the remainder of section 4 is effective for purchases and sales occurring after June 30, 1997.

Section 5, paragraph (h), is effective for purchases and sales occurring after June 30, 1997, and paragraph (i) is effective for purchases and sales occurring after December 31, 1992.

Sections 8 and 46 are effective July 1, 1998.

Sections 10 and 22 are effective for purchases, sales, storage, use, or consumption occurring after August 31, 1996.

Sections 11, 12, 33, 34, and 35 are effective July 1, 1997.

Sections 14 and 19 are effective for purchases and sales after June 30, 1999.

Section 23 is effective January 1, 1997.

Section 24 is effective for purchases, sales, storage, use, or consumption occurring after April 30, 1997.

Sections 26 and 45 are effective for purchases, sales, storage, use, or consumption occurring after July 31, 1997, and before August 1, 2003.

Section 27 is effective for purchases, sales, storage, use, or consumption occurring after May 31, 1997.

Section 28 is effective for sales made after December 31, 1989, and before January 1, 1997. The provisions of Minnesota Statutes, section 289A.50, apply to refunds claimed under section 28. Refunds claimed under section 28 must be filed by the later of December 31, 1997, or the time limit under Minnesota Statutes, section 289A.40, subdivision 1.

Section 29 is effective for sales or first use after May 31, 1997, ~~and before June 1, 1998.~~

Sections 30, 42, and 43 are effective the day following final enactment.

Sections 36 to 39 are effective the day after compliance by the governing body of Cook county with Minnesota Statutes, section 645.021, subdivision 3.

Section 40 is effective for STAR funds collected after June 30, 1997.

Sec. 17. Laws 1997, chapter 231, article 13, section 19, is amended to read:

Sec. 19. [MORATORIUM.]

The commissioner of revenue shall not initiate or continue any action to collect any underpayment from political subdivisions, or to reimburse any overpayment to any political subdivisions, of use taxes on solid waste management services under Minnesota Statutes, section 297A.45, or of sales taxes on any amount included on a property tax statement for county solid

waste management services, and any other amount collected by a county under Minnesota Statutes, section 400.08 or 473.811, subdivision 3a. The moratorium is effective for the period from January 1, 1990, through December 31, 1996 1997.

Sec. 18. Laws 1993, chapter 375, article 9, section 46, subdivision 2, is amended to read:

Subd. 2. [USE OF REVENUES.] Revenues received from the tax authorized by subdivision 1 may only be used by the city to pay the cost of collecting the tax, and to pay for the following projects or to secure or pay any principal, premium, or interest on bonds issued in accordance with subdivision 3 for the following projects.

(a) To pay all or a portion of the capital expenses of construction, equipment and acquisition costs for the expansion and remodeling of the St. Paul Civic Center complex.

(b) The remainder of the funds must be spent for capital projects to further residential, cultural, commercial, and economic development in both downtown St. Paul and St. Paul neighborhoods. The amount apportioned under this paragraph shall be no less than 60 percent of the revenues derived from the tax each year, except to the extent that a portion of that amount is required to pay debt service on bonds issued for the purposes of paragraph (a) prior to March 1, 1998.

By January 15 of each odd-numbered year, the mayor and the city council must report to the legislature on the use of sales tax revenues during the preceding two-year period.

Sec. 19. Laws 1991, chapter 291, article 8, section 27, subdivision 3, is amended to read:

Subd. 3. [USE OF REVENUES.] Revenues received from taxes authorized by subdivisions 1 and 2 shall be used by the city to pay the cost of collecting the tax and to pay all or a portion of the expenses of constructing and operating facilities as part of an urban revitalization project in downtown Mankato known as Riverfront 2000. Authorized expenses include, but are not limited to, acquiring property and paying relocation expenses related to the development of Riverfront 2000 and related facilities, and securing or paying debt service on bonds or other obligations issued to finance the construction of Riverfront 2000 and related facilities. For purposes of this section, "Riverfront 2000 and related facilities" means a civic-convention center, an arena, a riverfront park, a technology center and related educational facilities, and all publicly owned real or personal property that the governing body of the city determines will be necessary to facilitate the use of these facilities, including but not limited to parking, skyways, pedestrian bridges, lighting, and landscaping.

Sec. 20. [CITY OF ST. PAUL; USE OF SALES TAX REVENUES.]

The revenue derived from the sales tax imposed by the city of St. Paul under Laws 1993, chapter 375, article 9, section 46, as amended by Laws 1997, chapter 231, article 7, section 40, that is distributed to the city's cultural STAR program must be awarded through a grant or loan review process as provided in this section. Eighty percent of the revenue must be annually awarded to nonprofit arts organizations, libraries, and museums that are located in the designated cultural district of downtown St. Paul, and the remaining 20 percent may be awarded to businesses in the cultural district for projects which enhance visitor enjoyment of the district, or to nonprofit arts organizations, libraries, and museums located in St. Paul but outside of the cultural district. Grants or loans may be used for capital improvements. The restrictions in this section apply to all STAR cultural funds collected after June 30, 1998.

Sec. 21. [ST. PAUL NEIGHBORHOOD INVESTMENT SALES TAX EXPENDITURES; CITIZEN REVIEW PROCESS.]

Subdivision 1. [REQUIREMENT.] Expenditures of revenues from the sales tax imposed by the city of St. Paul that are dedicated to neighborhood investments may be made only after review of the proposals for expenditures by the citizen review panel described in this section. The panel must evaluate the proposals and provide a report to the city council that makes recommendations regarding the proposed expenditures in rank order.

Subd. 2. [APPOINTMENT OF MEMBERS.] The citizen review panel must consist of at least

seven members, with at least one member residing in each of the city council ward areas. The mayor must appoint the members, and the appointments are subject to confirmation by a majority vote of the city council. Members serve for a term of four years. Elected officials and employees of the city are ineligible to serve as members of the panel.

Sec. 22. [CITY OF BEMIDJI; TAXES AUTHORIZED.]

Subdivision 1. [SALES AND USE TAXES.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the city voters at the next general election held after the date of final enactment of this act, the city of Bemidji may impose by ordinance sales and use taxes of up to one percent for the purposes specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.48, govern the imposition, administration, collection, and enforcement of the taxes authorized under this subdivision.

Subd. 2. [EXCISE TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if a sales and use tax is imposed under subdivision 1, the city of Bemidji may impose by ordinance, for the purpose specified in subdivision 3, an excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

Subd. 3. [USE OF REVENUES.] Revenues received from taxes authorized by subdivisions 1 and 2 must be used by the city to pay the cost of collecting the taxes and to pay all or part of the capital and administrative cost of constructing, maintaining, and operating facilities as part of a regional convention center in Bemidji. Authorized expenses include, but are not limited to, acquiring property and paying construction, maintenance, and operating expenses related to the development of a convention center which is an arena for sporting events, concerts, trade shows, conventions, meeting rooms, and other compatible uses including, but not limited to, parking, lighting, and landscaping.

Subd. 4. [BONDS.] If the tax authorized under subdivision 1 is approved by the city voters, the city of Bemidji may issue, without additional election, general obligation bonds of the city in an amount not to exceed \$25,000,000 to pay capital and administrative expenses for the acquisition, construction, improvement, operation, and maintenance of a convention center. The debt represented by the bonds must not be included in computing any debt limitations applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal or any interest on the bonds must not be subject to any levy limitations or be included in computing or applying any levy limitation applicable to the city.

Subd. 5. [TERMINATION OF TAXES.] The taxes imposed under subdivisions 1 and 2 expire when the city council determines that sufficient funds have been received from taxes to finance the capital and administrative costs for acquisition, construction, improvement, operation, and maintenance of a convention center and related facilities to repay or retire at maturity the principal, interest, and premium due on any bonds issued for the project under subdivision 4. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

Subd. 6. [EFFECTIVE DATE.] This section is effective the day after compliance by the governing body of the city of Bemidji with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 23. [CITY OF DETROIT LAKES; TAXES AUTHORIZED.]

Subdivision 1. [SALES AND USE TAXES.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the city voters at the next general election held after the date of final enactment of this act, the city of Detroit Lakes may impose by ordinance sales and use taxes of up to one-half of one percent. The provisions of Minnesota Statutes, section 297A.48, govern the imposition, administration, collection, and enforcement of the taxes authorized under this subdivision.

Subd. 2. [USE OF REVENUES.] Revenues received from the taxes authorized under

subdivision 1 must be used for construction of a community center and for economic development projects.

Subd. 3. [EFFECTIVE DATE.] This section is effective the day after compliance by the governing body of the city of Detroit Lakes with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 24. [CITY OF FERGUS FALLS; TAXES AUTHORIZED.]

Subdivision 1. [SALES AND USE TAXES.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the city voters at the next general election held after the date of final enactment of this act, the city of Fergus Falls may impose by ordinance sales and use taxes of up to one-half of one percent for the purposes specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.48, govern the imposition, administration, collection, and enforcement of the taxes authorized under this subdivision, except that the sales and use tax shall not apply to farm machinery.

Subd. 2. [EXCISE TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if a sales and use tax is imposed under subdivision 1, the city of Fergus Falls may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

Subd. 3. [USE OF REVENUES.] Revenues received from taxes authorized by subdivisions 1 and 2 must be used by the city to pay the costs of collecting the taxes and to pay all or part of the capital and administrative costs of constructing and operating facilities as part of a regional conference center, community center, recreational and tourism project in Fergus Falls known as Project Reach Out. Authorized expenses include, but are not limited to, acquiring property and paying construction and operating expenses related to the development of Project Reach Out and related facilities, and securing or paying debt service on bonds or other obligations issued to finance the construction of Project Reach Out and related facilities.

For purposes of this section, "Project Reach Out and related facilities" means a regional conference center, community center, regional park and recreational facilities, and all publicly owned real or personal property that the governing body of the city determines are necessary to facilitate the use of these facilities, including but not limited to, parking, pedestrian bridges, lighting, and landscaping.

Subd. 4. [BONDS.] If the taxes authorized under subdivision 1 are approved by the city voters, the city of Fergus Falls may issue without additional election general obligation bonds of the city in an amount necessary to pay capital and administrative expenses for the acquisition, construction, improvement, and maintenance of Project Reach Out and related facilities. The debt represented by the bonds must not be included in computing any debt limitations applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal or any interest on the bonds must not be subject to any levy limitation or be included in computing or applying any levy limitation applicable to the city.

Subd. 5. [TERMINATION OF TAXES.] The taxes imposed under subdivisions 1 and 2 expire at the end of 15 years beginning with the date the tax is imposed, unless the city determines that insufficient funds have been received from the taxes to finance the capital and administrative costs for acquisition, construction, improvement, and operation of Project Reach Out and related facilities and to prepay or retire at maturity the principal, interest, and premium due on any bonds issued for the project under subdivision 4. If the city council determines that the funds are not sufficient, it may extend the tax by ordinance, subject to the provisions of Minnesota Statutes, section 297A.48, subdivision 9. The tax may be extended for the period of time the city council determines is necessary to finance the capital and administrative costs of the project and to prepay or retire at maturity the principal, interest, and premium due on any bonds issued for the project under subdivision 4. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

Subd. 6. [EFFECTIVE DATE.] This section is effective the day after compliance by the governing body of the city of Fergus Falls with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 25. [CITY OF HUTCHINSON; TAXES AUTHORIZED.]

Subdivision 1. [SALES AND USE TAXES.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the city of Hutchinson may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 4, paragraph (a). The provisions of Minnesota Statutes, section 297A.48, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. [EXCISE TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if a sales and use tax is imposed under subdivision 1, the city of Hutchinson may impose by ordinance, for the purposes specified in subdivision 4, paragraph (a), an excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

Subd. 3. [TAX ON FOOD AND BEVERAGES AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the city of Hutchinson may impose by ordinance, for the purposes specified in subdivision 4, paragraph (b), a tax on the gross receipts from the on-sales of intoxicating liquor and fermented malt beverages and the sale of food and beverages sold for consumption on or off the premises by restaurants and places of refreshment within the city. The tax is limited to one-half of one percent on gross receipts while the tax under subdivision 1 is imposed and one percent on gross receipts when the tax under subdivision 1 expires as provided in subdivision 7. The city shall define "restaurant" and "place of refreshment" as part of the ordinance.

Subd. 4. [USE OF REVENUES.] (a) Revenues received from taxes authorized by subdivisions 1 and 2 must be used by the city to pay the cost of collecting the taxes and to pay for construction and improvement of a civic and community center and recreational facilities to serve seniors and youth. Authorized expenses include, but are not limited to, acquiring property, paying construction and operating expenses related to the development of an authorized facility, and securing or paying debt service on bonds or other obligations issued to finance the construction or expansion of an authorized facility. The capital expenses for all projects authorized under this paragraph that may be paid with these taxes is limited to \$5,000,000. In addition, an amount not to exceed the amount raised by the tax in subdivision 3 may be used each year for the purposes listed in paragraph (b).

(b) Revenues received from taxes authorized under subdivision 3 shall be used by the city to pay the cost of collecting the tax and to pay all or part of the operating costs for the civic and community center.

Subd. 5. [REFERENDUM.] If the Hutchinson city council intends to exercise the authority provided in subdivisions 1 to 3, it shall conduct a referendum on the issue. The question, which shall seek simultaneous approval for imposing all three taxes, must be submitted to the voters at the next general election held after the date of final enactment of this act. The taxes may not be imposed unless a majority of votes cast on the question of imposing the taxes is in the affirmative. The commissioner of revenue shall prepare a suggested form of question to be presented at the election. This subdivision applies notwithstanding any city charter provision to the contrary.

Subd. 6. [BONDS.] If the taxes are approved by the city voters as provided in subdivision 5, the city of Hutchinson may issue, without additional election, general obligation bonds of the city in an amount equal to \$5,000,000 to pay capital and administrative expenses for the acquisition, construction, improvement, and maintenance of the facilities listed in subdivision 4, paragraph (a). The debt represented by the bonds must not be included in computing any debt limitations applicable to the city. The levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal or any interest on the bonds must not be subject to any levy limitation or be included in computing or applying any levy limitation applicable to the city.

Subd. 7. [TERMINATION OF TAXES.] (a) The taxes imposed under subdivisions 1 and 2 expire when the city council determines that sufficient funds have been received from the taxes to finance the capital and administrative costs for the acquisition, construction, and improvement of facilities described in subdivision 4, paragraph (a), and to prepay or retire at maturity the principal, interest, and premium due on any bonds issued for the facilities under subdivision 6. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

(b) The tax imposed under subdivision 3 shall only expire if the city chooses to rescind it by ordinance.

Subd. 8. [EFFECTIVE DATE.] This section is effective the day after compliance by the governing body of the city of Hutchinson with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 26. [CITY OF OWATONNA; TAXES AUTHORIZED.]

Subdivision 1. [SALES AND USE TAXES.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the city voters at the next general election held after final enactment of this act, the city of Owatonna may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.48, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. [EXCISE TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if a sales and use tax is imposed under subdivision 1, the city of Owatonna may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

Subd. 3. [USE OF REVENUES.] Revenues received from taxes authorized by subdivisions 1 and 2 must be used by the city to pay the costs of collecting the taxes and to pay all or part of the capital and administrative costs of constructing and improving infrastructure and facilities as part of Owatonna Economic Development 2000 and related facilities. Authorized expenses include, but are not limited to, acquiring property and paying construction and operating expenses related to the development of Owatonna Economic Development 2000 and related facilities, and securing or paying debt service on bonds or other obligations issued to finance the construction of Owatonna Economic Development 2000 and related facilities.

For purposes of this section, "Owatonna Economic Development 2000 and related facilities" means the improvement of the Owatonna regional airport and infrastructure improvements, including roads and the extension of water and sewer services, for an economic and tourism project.

Subd. 4. [BONDS.] If the taxes authorized under subdivision 1 are approved by the city voters, the city of Owatonna may issue without additional election general obligation bonds of the city in an amount not to exceed \$5,000,000 to pay capital and administrative expenses for the acquisition, construction, improvement, and maintenance of Owatonna Economic Development 2000 and related facilities. The debt represented by the bonds must not be included in computing any debt limitations applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal and any interest on the bonds must not be subject to any levy limitation or be included in computing or applying any levy limitation applicable to the city.

Subd. 5. [TERMINATION OF TAXES.] The taxes imposed under subdivisions 1 and 2 expire when the city council determines that sufficient funds have been received from the taxes to finance the capital and administrative costs for acquisition, construction, and improvement of Owatonna Economic Development 2000 and related facilities and to prepay or retire at maturity the principal, interest, and premium due on any bonds issued for the project under subdivision 4. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

Subd. 6. [EFFECTIVE DATE.] This section is effective the day after compliance by the governing body of the city of Owatonna with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 27. [ST. CLOUD, SAUK RAPIDS, SARTELL, WAITE PARK, ST. JOSEPH; TAXES AUTHORIZED.]

Subdivision 1. [SALES AND USE TAXES.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the cities of St. Cloud, Sauk Rapids, Sartell, Waite Park, and St. Joseph may each impose by ordinance a sales and use tax of up to one percent for the purposes specified in subdivision 5. The provisions of Minnesota Statutes, section 297A.48, govern the imposition, administration, collection, and enforcement of the taxes authorized under this subdivision.

Subd. 2. [EXCISE TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the cities that impose the sales and use taxes under subdivision 1 may each impose by ordinance, for the purposes specified in subdivision 5, an excise tax of up to \$20 per motor vehicle acquired from any person engaged within the city in the business of selling motor vehicles at retail.

Subd. 3. [FOOD AND BEVERAGE TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the cities identified in subdivision 1 may each impose by ordinance, for the purposes specified in subdivision 5, a tax of up to one percent on the gross receipts from the on-sales of intoxicating liquor and fermented malt beverages and the sale of food and beverages sold at restaurants and places of refreshment within the city. The city shall define "restaurant" and "place of refreshment" as part of the ordinance.

Subd. 4. [LODGING TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the cities identified in subdivision 1 may each impose by ordinance, for the purposes specified in subdivision 5, a tax of up to one percent on the gross receipts from the furnishing for a consideration of lodging and related services by a hotel, rooming house, tourist court, motel, or trailer camp, other than the renting or leasing of it for a continuous period of 30 days or more. This tax is in addition to the tax authorized in Minnesota Statutes, section 469.190, and is not included in calculating the tax rate subject to the limit imposed on lodging taxes in Minnesota Statutes, section 469.190, subdivision 2.

Subd. 5. [USE OF REVENUES.] (a) Revenues received from the taxes authorized by subdivisions 1 to 4 must be used to pay for the cost of collecting the taxes; to pay all or part of the capital or administrative cost of the acquisition, construction, and improvement of the Central Minnesota Events Center and related on-site and off-site improvements; and to pay for the operating deficit, if any, in the first five years of operation of the facility. Authorized expenses related to acquisition, construction, and improvement of the center include, but are not limited to, acquiring property, paying construction and operating expenses related to the development of the facility, and securing and paying debt service on bonds or other obligations issued to finance construction or improvement of the authorized facility.

(b) In addition, if the revenues collected from a tax imposed in subdivisions 1 to 4 are greater than the amount needed to meet obligations under paragraph (a) in any year, the surplus shall be returned to the cities in proportion to the amount of each city's tax collections under this section for the year of the surplus, and may be used by the city for the acquisition and improvement of park land and open space; for the purchase, renovation, and construction of public buildings and land primarily used for the arts, libraries, and community centers; and for debt service on bonds issued for these purposes. The amount of surplus revenues raised by a tax will be determined either as provided for by an applicable joint powers agreement or by a governing entity in charge of administering the project in paragraph (a).

Subd. 6. [BONDS.] The cities named in subdivision 1 may each issue bonds that produce in the aggregate the amount needed to pay capital and administrative expenses for the acquisition, construction, and improvement of the Central Minnesota Events Center. The debt represented by the bonds must not be included in computing any debt limitation applicable to the city and the levy

of taxes required by Minnesota Statutes, section 475.61, to pay the principal of and interest on the bonds must not be subject to any levy limitation or be included in computing or applying any levy limitation applicable to the city.

Subd. 7. [TERMINATION OF TAXES.] The taxes imposed by each city under subdivisions 1 to 4 expire when sufficient funds have been received from the taxes to finance the obligations under subdivision (5), paragraph (a), and to prepay or retire at maturity the principal, interest, and premium due on the original bonds issued for the initial acquisition, construction, and improvement of the Central Minnesota Events Center as determined under an applicable joint powers agreement or by a governing entity in charge of administering the project. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general funds of the cities imposing the taxes. The taxes imposed by a city under this section may expire at an earlier time by city ordinance, if authorized under the applicable joint powers agreement or by the governing entity in charge of administering the project.

Subd. 8. [REFERENDUM.] (a) If a governing body of any of the cities listed in subdivision 1 intends to impose any tax authorized under subdivisions 1 to 4, it shall conduct a referendum on the issue. The question of imposition of the tax must be submitted to the voters at the next general election held after final enactment of this act, and the tax may not be imposed unless a majority of votes cast on the question are in the affirmative. The commissioner of revenue shall prepare a suggested form of question to be presented at the election.

(b) If the cities that pass a referendum required under paragraph (a) determine that the revenues raised from the sum of all the taxes authorized by referendum under this subdivision will not be sufficient to fund the project in subdivision 5, paragraph (a), none of the authorized taxes may be imposed.

Subd. 9. [COLLECTION.] The commissioner of revenue may enter into appropriate agreements with any city listed in subdivision 1 to collect, on behalf of the city, a tax imposed under subdivisions 2 to 4. The commissioner shall charge the city from the proceeds of any tax a reasonable fee for its collection.

Subd. 10. [EFFECTIVE DATE.] This section is effective August 1, 1998, with respect to any city listed in subdivision 1 upon compliance of the governing body of that city with Minnesota Statutes, section 645.021, subdivision 3.

#### Sec. 28. [CITY OF ROCHESTER; TAXES AUTHORIZED.]

Subdivision 1. [SALES AND USE TAXES.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, upon termination of the taxes authorized under Laws 1992, chapter 511, article 8, section 33, subdivision 1, the city of Rochester may, by ordinance, impose sales and use taxes of up to one percent. The provisions of Minnesota Statutes, section 297A.48, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. [EXCISE TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other contrary provision of law, ordinance, or city charter, upon termination of the tax authorized under Laws 1992, chapter 511, article 8, section 33, subdivision 2, the city of Rochester may, by ordinance, impose an excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

Subd. 3. [USE OF REVENUES.] Revenues received from the taxes authorized by subdivisions 1 and 2 must be used by the city to pay for the cost of collecting and administering the taxes and to pay for capital expenditures and improvements projects approved by ordinance by the Rochester city council up to an amount equal to \$76,000,000 provided that at least 25 percent of the revenue may be used to fund regional, cultural, recreational, or athletic facilities at the Rochester Center which are approved by the board of trustees of the Minnesota state colleges and universities or the University of Minnesota and which will be available for both community and student use.

Subd. 4. [REFERENDUM.] If the Rochester city council intends to exercise the authority

provided in subdivisions 1 and 2, it shall conduct a referendum on the issue. The referendum, which must be approved by the majority of votes cast on the question of imposing the tax, must occur at a general or special election within one year of the date of final enactment of this act.

Subd. 5. [TERMINATION OF TAXES.] The taxes imposed under subdivisions 1 and 2 expire when the city council determines that sufficient funds have been received from the taxes to finance the projects and to prepay or retire at maturity the principal, interest, and premium due on any bonds issued for the projects under subdivision 3. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

Subd. 6. [EFFECTIVE DATE.] This section is effective the day after compliance by the governing body of the city of Rochester with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 29. [CITY OF TWO HARBORS; TAXES AUTHORIZED.]

Subdivision 1. [SALES AND USE TAXES.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the city of Two Harbors may impose by ordinance, if approved by the voters of the city at the next general election held after the date of final enactment of this act, sales and use taxes at a rate of up to one percent. The provisions of Minnesota Statutes, section 297A.48, govern the imposition, administration, collection, and enforcement of the taxes authorized under this subdivision.

Subd. 2. [USE OF REVENUES.] Revenues received from the taxes authorized under subdivision 1 must be used for sanitary sewer separation, wastewater treatment, and harbor refuge development projects.

Subd. 3. [TERMINATION OF TAXES.] The authority granted under subdivision 1 to the city of Two Harbors to impose sales and use taxes expires when the costs of the projects described in subdivision 2 have been paid.

Subd. 4. [EFFECTIVE DATE.] This section is effective the day after compliance by the governing body of the city of Two Harbors with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 30. [CITY OF WINONA; TAXES AUTHORIZED.]

Subdivision 1. [SALES AND USE TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the city voters at the next general election held after the date of final enactment of this act, the city of Winona may impose by ordinance sales and use taxes of up to one-half of one percent for the purposes specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.48, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. [EXCISE TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of Winona may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

Subd. 3. [USE OF REVENUES.] Revenues received from taxes authorized by subdivisions 1 and 2 must be used by the city to pay the costs of collecting the taxes and to pay all or a part of the capital and administrative costs of the dredging of Lake Winona, including securing or paying debt service on bonds or other obligations issued to finance the project under subdivision 4.

Subd. 4. [BONDS.] Pursuant to the approval of the city voters under subdivision 1, the city of Winona may issue without additional election general obligation bonds of the city in an amount not to exceed \$4,000,000 to pay capital and administrative expenses for the dredging of Lake Winona. The debt represented by the bonds must not be included in computing any debt

limitations applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal of and interest on the bonds must not be subject to any levy limitation or be included in computing or applying any levy limitation applicable to the city.

Subd. 5. [TERMINATION OF TAXES.] The taxes imposed under subdivisions 1 and 2 expire when the city council determines that sufficient funds have been received from the taxes to finance the dredging of Lake Winona and to prepay or retire at maturity the principal, interest, and premium due on any bonds issued for the project under subdivision 4. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

Subd. 6. [EFFECTIVE DATE.] This section is effective upon compliance by the governing body of the city of Winona with Minnesota Statutes, section 645.021, subdivision 3.

#### Sec. 31. [CITY OF BURNSVILLE; ADMISSIONS TAX.]

Subdivision 1. [IMPOSITION.] Notwithstanding Minnesota Statutes, section 477A.016, or any other contrary provision of law or ordinance, the governing body of the city of Burnsville may by ordinance impose a tax on admissions to an amphitheater to be constructed within the city.

Subd. 2. [RATE.] The tax may be imposed at a rate not to exceed two dollars per paid admission. The governing body of the city may by ordinance change the rate imposed, subject to the limitation in this subdivision.

Subd. 3. [COLLECTION.] The method of collection of the tax must be specified in the ordinance imposing the tax. The tax is exempt from the rules under Minnesota Statutes, section 297A.48. The commissioner of revenue and the city may enter into agreements for the collection and administration of the tax by the state on behalf of the city. The commissioner may charge the city a reasonable fee for its services from the proceeds of the tax. The tax is subject to the same interest, penalties, and enforcement provisions as the tax imposed under Minnesota Statutes, chapter 297A.

Subd. 4. [USE OF PROCEEDS.] The city must pay money received from the tax imposed under this section into a separate fund or account to be used only to pay:

(1) the costs of imposing and collecting the tax; and

(2) for parking lots or ramps, and other public improvements as defined by Minnesota Statutes, section 429.021, within the boundaries of the tax increment financing district established under section 2, or that serve the area within the district.

#### Sec. 32. [EFFECTIVE DATE.]

Section 3 is effective for vehicles registered after June 30, 1998.

Sections 2, 4, 6, 11, 12, 13, and 14 are effective for sales occurring after June 30, 1998.

Sections 7 to 9, 16 to 21, and 31 are effective the day following final enactment.

Section 10 is effective for purchases made after December 1, 1997.

Sections 14 and 15 are effective July 1, 1998.

### ARTICLE 7 BUDGET RESERVES

Section 1. Minnesota Statutes 1996, section 16A.6701, is amended by adding a subdivision to read:

Subd. 4. [DISCHARGE OF REVENUE BONDS.] Notwithstanding subdivision 2, the commissioner shall transfer from the special revenue fund to the debt service fund, by the tenth day of each month, all money then on hand in the special revenue fund, until the cash and

securities on hand in the debt service fund are sufficient to defease all outstanding revenue bonds issued under section 16A.67 in accordance with the commissioner's order authorizing their issuance. The commissioner shall take all actions required under the order authorizing the issuance of the bonds to defease them at the earliest practical date. The commissioner may retain or contract for the services of accountants, escrow agents, financial advisors, and other consultants or agents as may be necessary in accordance with the order.

Sec. 2. [APPROPRIATION TO BUDGET RESERVE.]

\$100,000,000 is appropriated from the general fund to the commissioner of finance for transfer to the budget reserve account under Minnesota Statutes, section 16A.152, subdivision 1a, on July 1, 1998.

Sec. 3. [PROPERTY TAX REFORM ACCOUNT CANCELLATION.]

On July 1, 1998, the commissioner of finance shall cancel \$504,387,000 from the balance in the property tax reform account established in Minnesota Statutes, section 16A.1521, to the general fund.

Sec. 4. [LOAN GUARANTEES.]

The director of the division of emergency management of the department of public safety shall, as the governor's authorized representative and on behalf of the state, agree to provide security for and guarantee promissory notes or similar documents for loans from the Federal Emergency Management Agency under its community disaster loan program to the city of Ada in the amount of \$1,423,448 and to the city of East Grand Forks in the amount of \$2,907,340. The loan to the city of Ada is to cover operating losses for a publicly owned health care facility that was damaged in the spring floods of 1997. \$4,330,788 is appropriated from the general fund to the commissioner of finance for transfer to a separate community disaster loan guarantee account in the general fund in the state treasury for the purpose of this section.

Sec. 5. [TEMPORARY LOCAL GOVERNMENT AID INCREASES.]

For payments in calendar year 1998 only, the city of East Grand Forks shall receive an additional payment of \$13,800,000 and the city of Warren shall receive an additional payment of \$1,200,000 under the provisions of Minnesota Statutes, sections 477A.011 to 477A.014. The amounts of these payments shall not be included in the calculation of any other aids provided under Minnesota Statutes, chapter 477A, or other law or in any limitations on levies or expenditures.

\$15,000,000 is appropriated to the commissioner of revenue from the general fund to make the payments under this section.

## ARTICLE 8

### TACONITE TAXES

Section 1. [298.001] [DEFINITIONS.]

Subdivision 1. [GENERALLY.] As used in this chapter, the terms defined in this section have the meanings given in this section.

Subd. 2. [CITY.] "City" includes any home rule charter city, statutory city, or any city however organized.

Subd. 3. [PERSON.] "Person" means individuals, fiduciaries, estates, trusts, partnerships, companies, joint stock companies, corporations, and all associations.

Subd. 4. [TACONITE.] "Taconite" means ferruginous chert or ferruginous slate in the form of compact, siliceous rock, in which the iron oxide is so finely disseminated that substantially all of the iron-bearing particles of merchantable grade are smaller than 20 mesh and which is not merchantable as iron ore in its natural state, and which cannot be made merchantable by simple methods of beneficiation involving only crushing, screening, washing, jigging, drying, or any combination thereof.

Subd. 5. [IRON SULPHIDES.] "Iron sulphides" means chemical combinations of iron and sulphur (mineralogically known as pyrrhotite, pyrites, or marcasite), in relatively impure condition, which are not merchantable as iron ore and which cannot be made merchantable by the simple methods of beneficiation above described.

Subd. 6. [SEMITACONITE.] "Semitaconite" means altered iron formation, altered taconite, ferruginous chert, or ferruginous slate which has been oxidized and partially leached and in which the iron oxide is so finely disseminated that substantially all of the iron-bearing particles of merchantable grade are smaller than 20 mesh and which is not merchantable as iron ore in its natural state, and which cannot be made merchantable by simple methods of beneficiation involving only crushing, screening, washing, jigging, heavy media separation, spirals, cyclones, drying, or any combination thereof.

Subd. 7. [AGGLOMERATES.] "Agglomerates" means the merchantable iron ore aggregates which are produced by agglomeration.

Subd. 8. [COMMISSIONER.] "Commissioner" means the commissioner of revenue of the state of Minnesota.

Sec. 2. Minnesota Statutes 1996, section 298.22, subdivision 2, is amended to read:

Subd. 2. There is hereby created the iron range resources and rehabilitation board, consisting of 11 members, five of whom shall be state senators appointed by the subcommittee on committees of the rules committee of the senate, and five of whom shall be representatives, appointed by the speaker of the house of representatives, ~~their terms of office to commence on May 1, 1943, and continue until January 3rd, 1945, or until their successors are appointed and qualified. Their successors~~ The members shall be appointed each two years in the same manner as the original members were appointed, in January of every second odd-numbered year, commencing in January, 1945. The 11th member of said board shall be the commissioner of natural resources of the state of Minnesota. Vacancies on the board shall be filled in the same manner as the original members were chosen. At least a majority of the legislative members of the board shall be elected from state senatorial or legislative districts in which over 50 percent of the residents reside within a tax relief area as defined in section 273.134. All expenditures and projects made by the commissioner of iron range resources and rehabilitation shall first be submitted to said the iron range resources and rehabilitation board for approval by at least eight board members of expenditures and projects for rehabilitation purposes as provided by this section, and the method, manner, and time of payment of all said funds proposed to be disbursed shall be first approved or disapproved by said the board. The board shall biennially make its report to the governor and the legislature on or before November 15 of each even-numbered year. The expenses of said the board shall be paid by the state of Minnesota from the funds raised pursuant to this section.

Sec. 3. Minnesota Statutes 1996, section 298.221, is amended to read:

298.221 [RECEIPTS FROM CONTRACTS; APPROPRIATION.]

(a) All moneys ~~money~~ paid to the state of Minnesota pursuant to the terms of any contract entered into by the state under authority of Laws 1941, chapter 544, section 4, or of said section as amended section 298.22 and any fees which may, in the discretion of the commissioner of iron range resources and rehabilitation, be charged in connection with any project pursuant to that section as amended, shall be deposited in the state treasury to the credit of the iron range resources and rehabilitation board account in the special revenue fund and are hereby appropriated for the purposes of section 298.22.

(b) Notwithstanding section 7.09, merchandise may be accepted by the commissioner of the iron range resources and rehabilitation board for payment of advertising contracts if the commissioner determines that the merchandise can be used for special event prizes or mementos at facilities operated by the board. Nothing in this paragraph authorizes the commissioner or a member of the board to receive merchandise for personal use.

Sec. 4. Minnesota Statutes 1996, section 298.2213, subdivision 4, is amended to read:

Subd. 4. [PROJECT APPROVAL.] The board shall by August 1, ~~1987~~, and each year thereafter prepare a list of projects to be funded from the money appropriated in this section with necessary supporting information including descriptions of the projects, plans, and cost estimates. A project must not be approved by the board unless it finds that:

(1) the project will materially assist, directly or indirectly, the creation of additional long-term employment opportunities;

(2) the prospective benefits of the expenditure exceed the anticipated costs; and

(3) in the case of assistance to private enterprise, the project will serve a sound business purpose.

To be proposed by the board, a project must be approved by at least eight iron range resources and rehabilitation board members and the commissioner of iron range resources and rehabilitation. The list of projects must be submitted to the governor, who shall, by November 15 of each year, approve, disapprove, or return for further consideration, each project. The money for a project may be spent only upon approval of the project by the governor. The board may submit supplemental projects for approval at any time.

Sec. 5. Minnesota Statutes 1996, section 298.225, subdivision 1, is amended to read:

Subdivision 1. ~~For distribution of taconite production tax in 1987 and thereafter with respect to production in 1986 and thereafter,~~ The distribution of the taconite production tax as provided in section 298.28, subdivisions 2 to 5, 6, paragraphs (b) and (c), 7, and 8, shall equal the lesser of the following amounts:

(1) the amount distributed pursuant to this section and section 298.28, with respect to 1983 production if the production for the year prior to the distribution year is no less than 42,000,000 taxable tons. If the production is less than 42,000,000 taxable tons, the amount of the distributions shall be reduced proportionately at the rate of two percent for each 1,000,000 tons, or part of 1,000,000 tons by which the production is less than 42,000,000 tons; or

(2)(i) for the distributions made pursuant to section 298.28, subdivisions 4, paragraphs (b) and (c), and 6, paragraph (c), 50 percent of the amount distributed pursuant to this section and section 298.28, with respect to 1983 production.

(ii) for the distributions made pursuant to section 298.28, subdivision 5, paragraphs (b) and (d), 75 percent of the amount distributed pursuant to this section and section 298.28, with respect to 1983 production.

Sec. 6. Minnesota Statutes 1997 Supplement, section 298.24, subdivision 1, is amended to read:

Subdivision 1. (a) ~~For concentrate produced in 1992, 1993, 1994, and 1995~~ 1997 and 1998, there is imposed upon taconite and iron sulphides, and upon the mining and quarrying thereof, and upon the production of iron ore concentrate therefrom, and upon the concentrate so produced, a tax of ~~\$2.054~~ \$2.141 per gross ton of merchantable iron ore concentrate produced therefrom.

(b) ~~On concentrates produced in 1997 and thereafter, an additional tax is imposed equal to three cents per gross ton of merchantable iron ore concentrate for each one percent that the iron content of the product exceeds 72 percent, when dried at 212 degrees Fahrenheit.~~

(e) For concentrates produced in ~~1996~~ 1999 and subsequent years, the tax rate shall be equal to the preceding year's tax rate plus an amount equal to the preceding year's tax rate multiplied by the percentage increase in the implicit price deflator from the fourth quarter of the second preceding year to the fourth quarter of the preceding year, ~~provided that, for concentrates produced in 1996 only, the increase in the rate of tax imposed under this section over the rate imposed for the previous year may not exceed four cents per ton.~~ "Implicit price deflator" for the gross national product means the implicit price deflator prepared by the bureau of economic analysis of the United States Department of Commerce.

(c) On concentrates produced in 1997 and thereafter, an additional tax is imposed equal to three

cents per gross ton of merchantable iron ore concentrate for each one percent that the iron content of the product exceeds 72 percent, when dried at 212 degrees Fahrenheit.

(d) The tax shall be imposed on the average of the production for the current year and the previous two years. The rate of the tax imposed will be the current year's tax rate. This clause shall not apply in the case of the closing of a taconite facility if the property taxes on the facility would be higher if this clause and section 298.25 were not applicable.

(e) If the tax or any part of the tax imposed by this subdivision is held to be unconstitutional, a tax of ~~\$2.054~~ \$2.141 per gross ton of merchantable iron ore concentrate produced shall be imposed.

(f) Consistent with the intent of this subdivision to impose a tax based upon the weight of merchantable iron ore concentrate, the commissioner of revenue may indirectly determine the weight of merchantable iron ore concentrate included in fluxed pellets by subtracting the weight of the limestone, dolomite, or olivine derivatives or other basic flux additives included in the pellets from the weight of the pellets. For purposes of this paragraph, "fluxed pellets" are pellets produced in a process in which limestone, dolomite, olivine, or other basic flux additives are combined with merchantable iron ore concentrate. No subtraction from the weight of the pellets shall be allowed for binders, mineral and chemical additives other than basic flux additives, or moisture.

(g)(1) Notwithstanding any other provision of this subdivision, for the first two years of a plant's production of direct reduced ore, no tax is imposed under this section. As used in this paragraph, "direct reduced ore" is ore that results in a product that has an iron content of at least 75 percent. For the third year of a plant's production of direct reduced ore, the rate to be applied to direct reduced ore is 25 percent of the rate otherwise determined under this subdivision. For the fourth such production year, the rate is 50 percent of the rate otherwise determined under this subdivision; for the fifth such production year, the rate is 75 percent of the rate otherwise determined under this subdivision; and for all subsequent production years, the full rate is imposed.

(2) Subject to clause (1), production of direct reduced ore in this state is subject to the tax imposed by this section, but if that production is not produced by a producer of taconite or iron sulfides, the production of taconite or iron sulfides consumed in the production of direct reduced iron in this state is not subject to the tax imposed by this section on taconite or iron sulfides.

Sec. 7. Minnesota Statutes 1996, section 298.28, subdivision 2, is amended to read:

Subd. 2. [CITY OR TOWN WHERE QUARRIED OR PRODUCED.] (a) 4.5 cents per gross ton of merchantable iron ore concentrate, hereinafter referred to as "taxable ton," must be allocated to the city or town in the county in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. If the mining, quarrying, and concentration, or different steps in either thereof are carried on in more than one taxing district, the commissioner shall apportion equitably the proceeds of the part of the tax going to cities and towns among such subdivisions upon the basis of attributing 40 percent of the proceeds of the tax to the operation of mining or quarrying the taconite, and the remainder to the concentrating plant and to the processes of concentration, and with respect to each thereof giving due consideration to the relative extent of such operations performed in each such taxing district. The commissioner's order making such apportionment shall be subject to review by the tax court at the instance of any of the interested taxing districts, in the same manner as other orders of the commissioner.

(b) Four cents per taxable ton shall be allocated to cities and organized townships affected by mining because their boundaries are within two miles of a taconite mine pit that has been actively mined in at least one of the prior three years. If a city or town is located near more than one mine meeting these criteria, the city or town is eligible to receive aid calculated from only the mine producing the largest taxable tonnage. When more than one municipality qualifies for aid based on one company's production, the aid must be apportioned among the municipalities in proportion to their populations. Of the amounts distributed under this paragraph to each municipality, one-half must be used for infrastructure improvement projects, and one-half must be used for projects in which two or more municipalities cooperate. Each municipality that receives a distribution under this paragraph must report annually to the iron range resources and rehabilitation board and the

commissioner of iron range resources and rehabilitation on the projects involving cooperation with other municipalities.

Sec. 8. Minnesota Statutes 1996, section 298.28, subdivision 3, is amended to read:

Subd. 3. [CITIES; TOWNS.] (a) 12.5 cents per taxable ton, less any amount distributed under subdivision 8, and paragraph (b), must be allocated to the taconite municipal aid account to be distributed as provided in section 298.282.

(b) An amount must be allocated to towns or cities that is annually certified by the county auditor of a county containing a taconite tax relief area within which there is (1) an organized township if, as of January 2, 1982, more than 75 percent of the assessed valuation of the township consists of iron ore or (2) a city if, as of January 2, 1980, more than 75 percent of the assessed valuation of the city consists of iron ore.

(c) The amount allocated under paragraph (b) will be the portion of a township's or city's certified levy equal to the proportion of (1) the difference between 50 percent of January 2, 1982, assessed value in the case of a township and 50 percent of the January 2, 1980, assessed value in the case of a city and its current assessed value to (2) the sum of its current assessed value plus the difference determined in (1), provided that the amount distributed shall not exceed \$55 per capita in the case of a township or \$75 per capita in the case of a city. For purposes of this limitation, population will be determined according to the 1980 decennial census conducted by the United States Bureau of the Census. If the current assessed value of the township exceeds 50 percent of the township's January 2, 1982, assessed value, or if the current assessed value of the city exceeds 50 percent of the city's January 2, 1980, assessed value, this paragraph shall not apply. For purposes of this paragraph, "assessed value," when used in reference to years other than 1980 or 1982, means, ~~for distributions for production year 1989, production taxes payable in 1990, the appropriate net tax capacities multiplied by 8.2 and for distributions for production year 1990 and thereafter, production taxes payable in 1991 and thereafter,~~ the appropriate net tax capacities multiplied by 10.2.

Sec. 9. Minnesota Statutes 1996, section 298.28, subdivision 4, is amended to read:

Subd. 4. [SCHOOL DISTRICTS.] (a) 27.5 cents per taxable ton plus the increase provided in paragraph (d) must be allocated to qualifying school districts to be distributed, based upon the certification of the commissioner of revenue, under paragraphs (b) and (c).

(b) 5.5 cents per taxable ton must be distributed to the school districts in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. The distribution must be based on the apportionment formula prescribed in subdivision 2.

(c)(i) 22 cents per taxable ton, less any amount distributed under paragraph (e), shall be distributed to a group of school districts comprised of those school districts in which the taconite was mined or quarried or the concentrate produced or in which there is a qualifying municipality as defined by section 273.134 in direct proportion to school district indexes as follows: for each school district, its pupil units determined under section 124.17 for the prior school year shall be multiplied by the ratio of the average adjusted net tax capacity per pupil unit for school districts receiving aid under this clause as calculated pursuant to chapter 124A for the school year ending prior to distribution to the adjusted net tax capacity per pupil unit of the district. Each district shall receive that portion of the distribution which its index bears to the sum of the indices for all school districts that receive the distributions.

(ii) Notwithstanding clause (i), each school district that receives a distribution under sections 298.018; 298.23 to 298.28, exclusive of any amount received under this clause; 298.34 to 298.39; 298.391 to 298.396; 298.405; or any law imposing a tax on severed mineral values that is less than the amount of its levy reduction under section 124.918, subdivision 8, for the second year prior to the year of the distribution shall receive a distribution equal to the difference; the amount necessary to make this payment shall be derived from proportionate reductions in the initial distribution to other school districts under clause (i).

(d) Any school district described in paragraph (c) where a levy increase pursuant to section

124A.03, subdivision 2, is authorized by referendum, shall receive a distribution according to the following formula. In 1994, the amount distributed per ton shall be equal to the amount per ton distributed in 1991 under this paragraph increased in the same proportion as the increase between the fourth quarter of 1989 and the fourth quarter of 1992 in the implicit price deflator as defined in section 298.24, subdivision 1 from a fund that receives a distribution in 1998 of 21.3 cents per ton. On July 15, 1995, and subsequent years of 1999, and each year thereafter, the increase over the amount established for the prior year shall be determined according to the increase in the implicit price deflator as provided in section 298.24, subdivision 1. Each district shall receive the product of:

(i) \$175 times the pupil units identified in section 124.17, subdivision 1, enrolled in the second previous year or the 1983-1984 school year, whichever is greater, less the product of 1.8 percent times the district's taxable net tax capacity in the second previous year; times

(ii) the lesser of:

(A) one, or

(B) the ratio of the sum of the amount certified pursuant to section 124A.03, subdivision 1g, in the previous year, plus the amount certified pursuant to section 124A.03, subdivision 1i, in the previous year, plus the referendum aid according to section 124A.03, subdivision 1h, for the current year, plus an amount equal to the reduction under section 124A.03, subdivision 3b, to the product of 1.8 percent times the district's taxable net tax capacity in the second previous year.

If the total amount provided by paragraph (d) is insufficient to make the payments herein required then the entitlement of \$175 per pupil unit shall be reduced uniformly so as not to exceed the funds available. Any amounts received by a qualifying school district in any fiscal year pursuant to paragraph (d) shall not be applied to reduce general education aid which the district receives pursuant to section 124A.23 or the permissible levies of the district. Any amount remaining after the payments provided in this paragraph shall be paid to the commissioner of iron range resources and rehabilitation who shall deposit the same in the taconite environmental protection fund and the northeast Minnesota economic protection trust fund as provided in subdivision 11.

Each district receiving money according to this paragraph shall reserve \$25 times the number of pupil units in the district. It may use the money for early childhood programs or for outcome-based learning programs that enhance the academic quality of the district's curriculum. The outcome-based learning programs must be approved by the commissioner of children, families, and learning.

(e) There shall be distributed to any school district the amount which the school district was entitled to receive under section 298.32 in 1975.

Sec. 10. Minnesota Statutes 1996, section 298.28, subdivision 6, is amended to read:

Subd. 6. [PROPERTY TAX RELIEF.] (a) Fifteen 32.6 cents per taxable ton, less any amount required to be distributed under paragraphs (b) and (c), and less any amount required to be deducted under paragraph (d), must be allocated to St. Louis county acting as the counties' fiscal agent, to be distributed as provided in sections 273.134 to 273.136.

(b) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a county other than the county in which the mining and the concentrating processes are conducted, .1875 cent per taxable ton of the tax imposed and collected from such taxpayer shall be paid to the county.

(c) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a school district other than a school district in which the mining and concentrating processes are conducted, .5625 cent per taxable ton of the tax imposed and collected from the taxpayer shall be paid to the school district.

(d) Two cents per taxable ton must be deducted from the amount allocated to the St. Louis county auditor under paragraph (a).

Sec. 11. Minnesota Statutes 1996, section 298.28, subdivision 7, is amended to read:

Subd. 7. [IRON RANGE RESOURCES AND REHABILITATION BOARD.] ~~Three~~ For the 1998 distribution, 6.5 cents per taxable ton shall be paid to the iron range resources and rehabilitation board for the purposes of section 298.22. The amount determined in this subdivision shall be increased in 1981 and subsequent years prior to 1988 in the same proportion as the increase in the steel mill products index as provided in section 298.24, subdivision 1, and shall be increased in 1989, 1990, and 1991 according to the increase in the implicit price deflator as provided in section 298.24, subdivision 1. In 1992 and 1993, the amount distributed per ton shall be the same as the amount distributed per ton in 1991. In 1994, the amount distributed shall be the distribution per ton for 1991 increased in the same proportion as the increase between the fourth quarter of 1989 and the fourth quarter of 1992 in the implicit price deflator as defined in section 298.24, subdivision 1. That amount shall be increased in 1995 1999 and subsequent years in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1. The amount distributed in 1988 shall be increased according to the increase that would have occurred in the rate of tax under section 298.24 if the rate had been adjusted according to the implicit price deflator for 1987 production. The amount distributed pursuant to this subdivision shall be expended within or for the benefit of a tax relief area defined in section 273.134. No part of the fund provided in this subdivision may be used to provide loans for the operation of private business unless the loan is approved by the governor.

Sec. 12. Minnesota Statutes 1996, section 298.28, subdivision 9, is amended to read:

Subd. 9. [MINNESOTA ECONOMIC PROTECTION TRUST FUND.] ~~1.5~~ 3.3 cents per taxable ton shall be paid to the northeast Minnesota economic protection trust fund.

Sec. 13. Minnesota Statutes 1997 Supplement, section 298.28, subdivision 9a, is amended to read:

Subd. 9a. [TACONITE ECONOMIC DEVELOPMENT FUND.] (a) 15.4 cents per ton for distributions in 1996, 1998, and 1999, and 20.4 cents per ton for distributions in 1997 shall be paid to the taconite economic development fund. No distribution shall be made under this paragraph in any year in which total industry production falls below 30 million tons.

(b) An amount equal to 50 percent of the tax under section 298.24 for concentrate sold in the form of pellet chips and fines not exceeding 5/16 inch in size and not including crushed pellets shall be paid to the taconite economic development fund. The amount paid shall not exceed \$700,000 annually for all companies. If the initial amount to be paid to the fund exceeds this amount, each company's payment shall be prorated so the total does not exceed \$700,000.

Sec. 14. Minnesota Statutes 1997 Supplement, section 298.28, subdivision 9b, is amended to read:

Subd. 9b. [TACONITE ENVIRONMENTAL FUND.] Five cents per ton for distributions in 1998 and 1999, and 2000 shall be paid to the taconite environmental fund for use under section 298.2961. No distribution may be made under this paragraph in any year in which total industry production falls below 30,000,000 tons.

Sec. 15. Minnesota Statutes 1996, section 298.28, subdivision 10, is amended to read:

Subd. 10. [INCREASE.] The amounts determined under subdivisions subdivision 6, paragraph (a), and subdivision 9 shall be increased in 1979 and subsequent years prior to 1988 in the same proportion as the increase in the steel mill products index as provided in section 298.24, subdivision 1. The amount distributed in 1988 shall be increased according to the increase that would have occurred in the rate of tax under section 298.24 if the rate had been adjusted according to the implicit price deflator for 1987 production. Those amounts shall be increased in 1989, 1990, and 1991 in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1. In 1992 and 1993, the amounts determined under subdivisions 6, paragraph (a), and 9, shall be the distribution per ton determined for distribution in 1991. In 1994, the amounts determined under subdivisions 6, paragraph (a), and 9, shall be the distribution per ton determined for distribution in 1991 increased in the same proportion as the increase between the

~~fourth quarter of 1989 and the fourth quarter of 1992 in the implicit price deflator as defined in section 298.24, subdivision 1. Those amounts shall be increased in 1995 for distributions based on the 1998 production year and subsequent years in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1.~~

The distributions per ton determined under subdivisions 5, paragraphs (b) and (d), and 6, paragraphs (b) and (c) for distribution in 1988 and subsequent years shall be the distribution per ton determined for distribution in 1987.

Sec. 16. Minnesota Statutes 1997 Supplement, section 298.296, subdivision 4, is amended to read:

Subd. 4. [TEMPORARY LOAN AUTHORITY.] (a) The board may recommend that up to \$7,500,000 from the corpus of the trust may be used for loans as provided in this subdivision. The money would be available for loans for construction and equipping of facilities constituting (1) a value added iron products plant, which may be either a new plant or a facility incorporated into an existing plant that produces iron upgraded to a minimum of 75 percent iron content or any iron alloy with a total minimum metallic content of 90 percent; or (2) a new mine or minerals processing plant for any mineral subject to the net proceeds tax imposed under section 298.015. A loan under this paragraph may not exceed \$5,000,000 for any facility.

(b) Additionally, the board must reserve the first \$2,000,000 of the net interest, dividends, and earnings arising from the investment of the trust after June 30, 1996, to be used for additional grants for the purposes set forth in paragraph (a). This amount must be reserved until it is used for the grants or until June 30, ~~1998~~ 1999, whichever is earlier.

(c) Additionally, the board may recommend that up to \$5,500,000 from the corpus of the trust may be used for additional grants for the purposes set forth in paragraph (a).

(d) The board may require that it receive an equity percentage in any project to which it contributes under this section.

(e) The authority to make loans and grants under this subdivision terminates June 30, ~~1998~~ 1999.

Sec. 17. Minnesota Statutes 1996, section 298.48, subdivision 1, is amended to read:

Subdivision 1. [ANNUAL FILING.] ~~By April 1 each year, every owner or lessee of mineral rights who, in respect thereto, has engaged in any exploration for or mining of taconite, semitaconite, or iron-sulphide shall, within six months of June 3, 1977, file with the commissioner of revenue all data of the following kinds in the possession or under the control of the owner or lessee which was acquired prior to January 1, 1977 during the preceding calendar year:~~

(a) Maps and other records indicating the location, character and extent of exploration for taconite, semitaconite, or iron-sulphides;

(b) Logs, notes and other records indicating the nature of minerals encountered during the course of exploration;

(c) The results of any analyses of metallurgical tests or samples taken in connection with exploration;

(d) The ultimate pit layout and the supporting cross sections; and

(e) Any other data which the commissioner of revenue may determine to be relevant to the determination of the location, nature, extent, quality or quantity of unmined ores of said minerals. The commissioner of revenue ~~shall have the power to~~ may compel submission of the data. The court administrator of any court of record, upon demand of the commissioner, shall issue a subpoena for the production of any data before the commissioner. Disobedience of subpoenas issued under this section shall be punished by the district court of the district in which the subpoena is issued as for a contempt of the district court. ~~By April 1 of each succeeding year every owner or lessee of mineral rights shall file with the commissioner of revenue all such data acquired during the preceding calendar year.~~

## Sec. 18. [USE OF PRODUCTION TAX PROCEEDS.]

Of the amount distributed to the iron range resources and rehabilitation board under Minnesota Statutes, section 298.28, subdivision 7, an amount equal to the amount distributed under Laws 1997, chapter 231, article 8, section 16, shall be used by the board to make equal grants to the cities of Chisholm and Hibbing to be used for the establishment of an industrial park located at the Hibbing-Chisholm airport.

## Sec. 19. [REPEALER.]

Minnesota Statutes 1996, sections 298.012; 298.21; 298.23; 298.34, subdivisions 1 and 4; and 298.391, subdivisions 2 and 5, are repealed.

## Sec. 20. [EFFECTIVE DATE.]

Section 7 is effective for distributions in 2000 and subsequent years.

## ARTICLE 9

## TAX INCREMENT FINANCING AND DEVELOPMENT

Section 1. Minnesota Statutes 1996, section 469.174, is amended by adding a subdivision to read:

Subd. 28. [DECERTIFY OR DECERTIFICATION.] "Decertify" or "decertification" means the termination of a tax increment financing district which occurs when the county auditor removes all remaining parcels from the district.

Sec. 2. Minnesota Statutes 1996, section 469.175, subdivision 5, is amended to read:

Subd. 5. [ANNUAL DISCLOSURE.] (a) ~~For all tax increment financing districts, whether created prior or subsequent to August 1, 1979, on or before July 1 of each year,~~ The authority shall annually submit to the county board, the county auditor, the school board, state auditor and, if the authority is other than the municipality, the governing body of the municipality, a report of the status of the district. The report shall include the following information: the amount and the source of revenue in the account, the amount and purpose of expenditures from the account, the amount of any pledge of revenues, including principal and interest on any outstanding bonded indebtedness, the original net tax capacity of the district and any subdistrict, the captured net tax capacity retained by the authority, the captured net tax capacity shared with other taxing districts, the tax increment received, and any additional information necessary to demonstrate compliance with any applicable tax increment financing plan. The authority must submit the annual report for a year on or before August 1 of the next year.

(b) An annual statement showing the tax increment received and expended in that year, the original net tax capacity, captured net tax capacity, amount of outstanding bonded indebtedness, the amount of the district's and any subdistrict's increments paid to other governmental bodies, the amount paid for administrative costs, the sum of increments paid, directly or indirectly, for activities and improvements located outside of the district, and any additional information the authority deems necessary shall be published in a newspaper of general circulation in the municipality. If the fiscal disparities contribution under chapter 276A or 473F for the district is computed under section 469.177, subdivision 3, paragraph (a), the annual statement must disclose that fact and indicate the amount of increased property tax imposed on other properties in the municipality as a result of the fiscal disparities contribution. The commissioner of revenue shall prescribe the form of this statement and the method for calculating the increased property taxes. The authority must publish the annual statement for a year no later than July 1 August 15 of the next year. The authority must provide identify the newspaper of general circulation in the municipality to which the annual statement has been or will be submitted for publication and provide a copy of the annual statement to the state auditor by the time it submits it for publication on or before August 1 of the year in which the statement must be published.

(c) The disclosure and reporting requirements imposed by this subdivision apply to districts certified before, on, or after August 1, 1979.

Sec. 3. Minnesota Statutes 1996, section 469.175, subdivision 6, is amended to read:

Subd. 6. [FINANCIAL REPORTING.] (a) The state auditor shall develop a uniform system of accounting and financial reporting for tax increment financing districts. The system of accounting and financial reporting shall, as nearly as possible:

- (1) provide for full disclosure of the sources and uses of public funds in the district;
- (2) permit comparison and reconciliation with the affected local government's accounts and financial reports;
- (3) permit auditing of the funds expended on behalf of a district, including a single district that is part of a multidistrict project or that is funded in part or whole through the use of a development account funded with tax increments from other districts or with other public money;
- (4) be consistent with generally accepted accounting principles.

(b) The authority must annually submit to the state auditor, ~~on or before July 1,~~ a financial report in compliance with paragraph (a). Copies of the report must also be provided to the county and school district boards and to the governing body of the municipality, if the authority is not the municipality. To the extent necessary to permit compliance with the requirement of financial reporting, the county and any other appropriate local government unit or private entity must provide the necessary records or information to the authority or the state auditor as provided by the system of accounting and financial reporting developed pursuant to paragraph (a). The authority must submit the annual report for a year on or before August 1 of the next year.

(c) The annual financial report must also include the following items:

- (1) the original net tax capacity of the district and any subdistrict;
- (2) the captured net tax capacity of the district, including the amount of any captured net tax capacity shared with other taxing districts;
- (3) for the reporting period and for the duration of the district, the amount budgeted under the tax increment financing plan, and the actual amount expended for, at least, the following categories:
  - (i) acquisition of land and buildings through condemnation or purchase;
  - (ii) site improvements or preparation costs;
  - (iii) installation of public utilities, parking facilities, streets, roads, sidewalks, or other similar public improvements;
  - (iv) administrative costs, including the allocated cost of the authority;
  - (v) public park facilities, facilities for social, recreational, or conference purposes, or other similar public improvements;
- (4) for properties sold to developers, the total cost of the property to the authority and the price paid by the developer; and
- (5) the amount of increments rebated or paid to developers or property owners for privately financed improvements or other qualifying costs.

(d) The reporting requirements imposed by this subdivision apply to districts certified before, on, and after August 1, 1979.

Sec. 4. Minnesota Statutes 1996, section 469.175, subdivision 6a, is amended to read:

Subd. 6a. [REPORTING REQUIREMENTS.] (a) The municipality must annually report to the state auditor the following amounts for the entire municipality:

(1) the total principal amount of nondefeased tax increment financing bonds that are outstanding at the end of the previous calendar year; and

(2) the total annual amount of principal and interest payments that are due for the current calendar year on (i) general obligation tax increment financing bonds, and (ii) other tax increment financing bonds.

(b) The municipality must annually report to the state auditor the following amounts for each tax increment financing district located in the municipality:

(1) the type of district, whether economic development, redevelopment, housing, soils condition, mined underground space, or hazardous substance site;

(2) the date on which the district is required to be decertified;

(3) the amount of any payments and the value of in-kind benefits, such as physical improvements and the use of building space, that are financed with revenues derived from increments and are provided to another governmental unit (other than the municipality) during the preceding calendar year;

(4) the tax increment revenues for taxes payable in the current calendar year;

(5) whether the tax increment financing plan or other governing document permits increment revenues to be expended (i) to pay bonds, the proceeds of which were or may be expended on activities located outside of the district, (ii) for deposit into a common fund from which money may be expended on activities located outside of the district, or (iii) to otherwise finance activities located outside of the tax increment financing district; and

(6) any additional information that the state auditor may require.

~~(c) The report required by this subdivision must be filed with the state auditor on or before July 1 of each year. The municipality must submit the annual report for a year required by this subdivision on or before August 1 of the next year.~~

(d) The state auditor may provide for combining the reports required by this subdivision and subdivisions 5 and 6 so that only one report is made for each year to the auditor.

(e) This section applies to districts certified before, on, and after August 1, 1979.

Sec. 5. Minnesota Statutes 1996, section 469.175, is amended by adding a subdivision to read:

Subd. 6b. [DURATION OF DISCLOSURE AND REPORTING REQUIREMENTS.] The disclosure and reporting requirements imposed by subdivisions 5, 6, and 6a apply with respect to a tax increment financing district beginning with the annual disclosure and reports for the year in which the original net tax capacity of the district was certified and ending with the annual disclosure and reports for the year in which both of the following events have occurred:

(1) decertification of the district; and

(2) expenditure or return to the county auditor of all remaining revenues derived from tax increments paid by properties in the district.

Sec. 6. Minnesota Statutes 1996, section 469.176, subdivision 7, is amended to read:

Subd. 7. [PARCELS NOT INCLUDABLE IN DISTRICTS.] The authority may request inclusion in a tax increment financing district and the county auditor may certify the original tax capacity of a parcel or a part of a parcel that qualified under the provisions of section 273.111 or 273.112 or chapter 473H for taxes payable in any of the five calendar years before the filing of the request for certification only for

(1) a district in which 85 percent or more of the planned buildings and facilities (determined on the basis of square footage) are for manufacturing or production of tangible personal property, including processing resulting in the change in condition of the property or space necessary for and related to the manufacturing activities; or

(2) a qualified housing district as defined in section 273.1399, subdivision 1.

Sec. 7. Minnesota Statutes 1996, section 469.177, is amended by adding a subdivision to read:

Subd. 12. [DECERTIFICATION OF TAX INCREMENT FINANCING DISTRICT.] The county auditor shall decertify a tax increment financing district when the earliest of the following times is reached:

(1) the applicable maximum duration limit under section 469.176, subdivisions 1a to 1g;

(2) the maximum duration limit, if any, provided by the municipality pursuant to section 469.176, subdivision 1;

(3) the time of decertification specified in section 469.1761, subdivision 4, if the commissioner of revenue issues an order of noncompliance and the maximum duration limit for economic development districts has been exceeded;

(4) upon completion of the required actions to allow decertification under section 469.1763, subdivision 4; or

(5) upon receipt by the county auditor of a written request for decertification from the authority that requested certification of the original net tax capacity of the district or its successor.

Sec. 8. Minnesota Statutes 1996, section 469.1771, is amended by adding a subdivision to read:

Subd. 2a. [SUSPENSION OF DISTRIBUTION OF TAX INCREMENT.] (a) If an authority fails to make a disclosure or to submit a report containing the information required by section 469.175, subdivisions 5 and 6, regarding a tax increment financing district within the time provided in section 469.175, subdivisions 5 and 6, or if a municipality fails to submit a report containing the information required of section 469.175, subdivision 6a, regarding a tax increment financing district within the time provided in section 469.175, subdivision 6a, the state auditor shall mail to the authority a written notice that it or the municipality has failed to make the required disclosure or to submit a required report with respect to a particular district. The state auditor shall mail the notice on or before the third Tuesday of August of the year in which the disclosure or report was required to be made or submitted. The notice shall describe the consequences of failing to disclose or submit a report as provided in paragraph (b). If the state auditor has not received a copy of a disclosure or a report described in this paragraph on or before the third Tuesday of November of the year in which the disclosure or report was required to be made or submitted, the state auditor shall mail a written notice to the county auditor to hold the distribution of tax increment from a particular district.

(b) Upon receiving written notice from the state auditor to hold the distribution of tax increment, the county auditor shall hold:

(1) 25 percent of the amount of tax increment that otherwise would be distributed, if the distribution is made after the third Friday in November but during the year in which the disclosure or report was required to be made or submitted; or

(2) 100 percent of the amount of tax increment that otherwise would be distributed, if the distribution is made after December 31 of the year in which the disclosure or report was required to be made or submitted.

(c) Upon receiving the copy of the disclosure and all of the reports described in paragraph (a) with respect to a district regarding which the state auditor has mailed to the county auditor a written notice to hold distribution of tax increment, the state auditor shall mail to the county auditor a written notice lifting the hold and authorizing the county auditor to distribute to the authority or municipality any tax increment that the county auditor had held pursuant to paragraph (b). The state auditor shall mail the written notice required by this paragraph within five working days after receiving the last outstanding item. The county auditor shall distribute the tax increment to the authority or municipality within 15 working days after receiving the written notice required by this paragraph.

(d) Notwithstanding any law to the contrary, any interest that accrues on tax increment while it is being held by the county auditor pursuant to paragraph (b) is not tax increment and may be retained by the county.

(e) For purposes of sections 469.176, subdivisions 1a to 1g, and 469.177, subdivision 11, tax increment being held by the county auditor pursuant to paragraph (b) shall be considered distributed to or received by the authority or municipality as of the time that it would have been distributed or received but for paragraph (b).

Sec. 9. Minnesota Statutes 1996, section 469.1771, subdivision 5, is amended to read:

Subd. 5. [DISPOSITION OF PAYMENTS.] If the authority does not have sufficient increments or other available money to make a payment required by this section, the municipality that approved the district must use any available money to make the payment including the levying of property taxes. Money received by the county auditor under this section must be distributed as excess increments under section 469.176, subdivision 2, paragraph (a), clause (4), except that if the county auditor receives the payment after (1) 60 days from a municipality's receipt of the state auditor's notification under subdivision 1, paragraph (c), of noncompliance requiring the payment, or (2) the commencement of an action by the county attorney to compel the payment, then no distributions may be made to the municipality that approved the tax increment financing district.

Sec. 10. [469.1791] [TAX INCREMENT FINANCING SPECIAL TAXING DISTRICT.]

Subdivision 1. [DEFINITIONS.] (a) As used in this section, the terms defined in this subdivision have the meanings given them.

(b) "City" means a city containing a tax increment financing district the request for certification of which was made before June 2, 1997.

(c) "Enabling ordinance" means an ordinance adopted by a city council establishing a special taxing district.

(d) "Special taxing district" means all or any portion of the property located within a tax increment financing district the request for certification of which was made before June 2, 1997.

(e) "Development or redevelopment services" has the meaning given in the city's enabling ordinance, and may include any services or expenditures the city or its economic development authority or housing and redevelopment authority or port authority may provide or incur under sections 469.001 to 469.1081 and 469.124 to 469.134, including, without limitation, amounts necessary to pay the principal of or interest on bonds issued by the city or its economic development authority or housing and redevelopment authority or port authority under section 469.178, for the tax increment financing districts contained within the special taxing district or projects to be funded with increments from tax increment financing districts contained within the special taxing district.

Subd. 2. [ESTABLISHMENT OF SPECIAL TAXING DISTRICT.] The governing body of a city may adopt an ordinance establishing a special taxing district. The ordinance must describe with particularity the property to be included in the district and the development or redevelopment services to be provided in the district. Only property that is subject to an assessment agreement with the city or its economic development authority, housing and redevelopment authority, or port authority, as of the date of adoption of the ordinance, may be included within the special taxing district and be subject to the tax imposed by the city on the district.

Subd. 3. [MODIFICATION OF SPECIAL TAXING DISTRICT.] The boundaries of the special taxing district may be enlarged or reduced under the procedures for establishment of the district under subdivision 2. Property added to the district is subject to the special tax imposed within the district after the property becomes a part of the district.

Subd. 4. [SPECIAL TAX AUTHORITY.] A city may impose a special tax within a special taxing district that is reasonably related to the development or redevelopment services provided.

The tax may be imposed at a rate or amount sufficient to produce the revenues required to provide redevelopment services within the district. The special tax is payable only in a year in which the assessment agreement for the property subject to the tax remains in effect for that taxes payable year. The maximum levy may not exceed the amount specified in the assessment agreement. The tax imposed under this section is not included in the calculation of levies or limits imposed under law or chapter. The tax proceeds are subject to the restrictions imposed by law on revenues derived from tax increments and may only be spent for the purposes for which increments may be spent.

Subd. 5. [COLLECTION OF TAX.] The special tax must be imposed on the net tax capacity of the taxable property located in the geographic area described in the ordinance. Taxable net tax capacity must be determined without regard to captured or original net tax capacity under Minnesota Statutes, section 469.177, or to the distribution or contribution value under section 473F.08. The special tax is payable and must be collected at the same time and in the same manner as provided for payment and collection of ad valorem taxes. Special taxes not paid on or before the applicable due date are subject to the same penalty and interest as ad valorem tax amounts not paid by the respective due date. The due date for the special tax is the due date for the real property tax for the property on which the special tax is imposed.

Sec. 11. Minnesota Statutes 1997 Supplement, section 469.1812, subdivision 4, is amended to read:

Subd. 4. [POLITICAL SUBDIVISION OR SUBDIVISION.] "Political subdivision" or "subdivision" means a statutory or home rule charter city, town, or school district, ~~or county.~~

Sec. 12. Laws 1965, chapter 326, section 1, subdivision 5, as amended by Laws 1975, chapter 110, section 1, and Laws 1985, chapter 87, section 3, is amended to read:

Subd. 5. [PROMOTION OF TOURIST, AGRICULTURAL AND INDUSTRIAL DEVELOPMENT.] The amount to be spent annually for the purposes of this subdivision shall not exceed \$1 ~~\$4~~ per capita of the county's population.

Sec. 13. Laws 1997, chapter 231, article 10, section 24, is amended to read:

Sec. 24. [TASK FORCE; TIF RECODIFICATION.]

(a) A legislative task force is established on tax increment financing and local economic development powers. The task force consists of 12 members as follows:

(1) six members of the house of representatives, at least two of whom are members of the minority caucus, appointed by the speaker; and

(2) six members of the senate, at least two of whom are members of the minority caucus, appointed by the committee on committees.

(b) The task force shall prepare a bill for the ~~1998~~ 1999 legislative session that recodifies the Tax Increment Financing Act and combines the statutes providing local economic development powers into one law providing a uniform set of powers relative to the use of tax increment financing.

(c) In preparing the bill under this section, the task force shall consult with and seek comments from and participation by representatives of the affected local governments.

(d) The revisor of statutes and house and senate legislative staff shall staff the task force.

(e) This section expires on ~~March 1, 1998~~ May 1, 1999.

Sec. 14. [CITY OF BURNSVILLE; USE OF TAX INCREMENTS.]

Subdivision 1. [AUTHORIZATION.] Notwithstanding Minnesota Statutes, section 469.176, 469.1763, or any other law to the contrary, tax increments derived from the tax increment financing district No. 2-1 in the city of Burnsville may, to the extent not required for purposes of

that district's tax increment financing plan, be used to meet costs incurred by the city or its economic development authority in relation to assisting in the construction of an amphitheater and related infrastructure improvements. This section does not authorize an extension of the duration of tax increment financing district No. 2-1 beyond its duration under current law.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon compliance by the city of Burnsville with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 15. [CITY OF FOLEY; TAX INCREMENT FINANCING.]

Subdivision 1. [AUTHORIZATION OF USE OF INCREMENTS.] Notwithstanding any law to the contrary, expenditures by the city of Foley before January 1, 1998, of revenue derived from tax increment financing district No. 1 to finance a wastewater treatment facility located outside of the district are authorized expenditures of that revenue.

Subd. 2. [EFFECTIVE DATE.] Pursuant to Minnesota Statutes, section 645.023, subdivision 1, paragraph (a), this section is effective without local approval the day following final enactment and applies to revenues expended before January 1, 1998.

Sec. 16. [CITY OF MINNEAPOLIS; LAKE STREET REDEVELOPMENT DISTRICT.]

Subdivision 1. [AUTHORIZATION.] Upon approval of the governing body of the Minneapolis community development agency by resolution, the authority may establish a redevelopment tax increment financing district with phased redevelopment at a site located on Lake Street and Chicago Avenue. The district shall be subject to Minnesota Statutes, sections 469.174 to 469.179, except as provided in this section.

Subd. 2. [ORIGINAL NET TAX CAPACITY.] Notwithstanding Minnesota Statutes, section 469.174, subdivision 7, the original net tax capacity of the district, as of the date the authority certifies to the county auditor that the authority has entered into a redevelopment or other agreement for rehabilitation of the site or remediation of hazardous substances, shall be zero.

Subd. 3. [DURATION OF DISTRICT.] Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, no tax increment shall be paid to the authority after the earlier of: (1) 18 years from the date of receipt by the authority of the first increment generated from the final phase of redevelopment or (2) 30 years from the date of receipt by the authority of the first increment from the district. "Final phase of redevelopment" means that phase of redevelopment activity which completes the rehabilitation of the Sears site.

Subd. 4. [REMOVAL OF HAZARDOUS SUBSTANCES.] For purposes of the three-year activity rule under Minnesota Statutes, section 469.176, subdivision 1a, and the four-year action requirement under Minnesota Statutes, section 469.176, subdivision 6, the removal of hazardous substances from the site shall constitute a qualifying activity.

Subd. 5. [FIVE-YEAR RULE.] Minnesota Statutes, section 469.1763, subdivision 3, does not apply.

Subd. 6. [NEIGHBORHOOD REVITALIZATION FUNDS.] Revenues reserved by the authority for the neighborhood revitalization program and allocated pursuant to the requirements of Minnesota Statutes, section 469.1831, for expenditure in the tax increment financing district described in this section qualify as a local contribution for purposes of Minnesota Statutes, section 273.1399, subdivision 6.

Subd. 7. [EFFECTIVE DATE.] Subdivisions 1 to 6 are effective upon compliance by the governing body of the Minneapolis community development agency with Minnesota Statutes, section 645.021, subdivision 3. Subdivision 6 is effective for aid paid after July 1, 1998.

Sec. 17. [CITY OF RENVILLE; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [CERTIFICATION DATE.] Except as otherwise provided in this section, for purposes of Minnesota Statutes, section 273.1399, and chapter 469, the certification date of the addition of the following described property to tax increment financing district No. 1 in the city of

Renville is deemed to be November 1, 1994: Lots 5, 6, 7, 8, and 9, Block 32, O'Connor's Addition.

Subd. 2. [ORIGINAL NET TAX CAPACITY; ORIGINAL LOCAL TAX RATE.] The original net tax capacity of property in subdivision 1 shall be \$432 and the original local tax rate shall be 186.871 as of January 2, 1998, for increment collected in 1999.

Subd. 3. [EXPENDITURE OF INCREMENT.] Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, the city of Renville may collect and expend tax increment generated by the lots cited in subdivision 1, in tax increment financing district No. 1 in the city of Renville, until December 31, 2007.

Subd. 4. [APPLICABILITY.] The provisions of Minnesota Statutes, sections 273.1399, subdivision 8, and 469.1782, do not apply to the authority granted in this section.

Subd. 5. [LOCAL APPROVAL.] This section is effective upon compliance by the city of Renville with Minnesota Statutes, section 645.021, subdivision 3.

**Sec. 18. [CITY OF WEST ST. PAUL; DAKOTA COUNTY HOUSING AND REDEVELOPMENT AUTHORITY; EXCEPTION TO TAX INCREMENT FINANCING REQUIREMENTS.]**

Subdivision 1. [GENERALLY.] The city of West St. Paul and the Dakota county housing and redevelopment authority may operate the Signal Hills Redevelopment tax increment financing district (Dakota county housing and redevelopment authority tax increment financing district No. 11) hereinafter referred to as "the district" according to the provisions set forth in this section.

Subd. 2. [LOCAL CONTRIBUTION.] The district is exempt from the reduction in state aid imposed under Minnesota Statutes, section 273.1399, without making a contribution required under Minnesota Statutes, section 273.1399, subdivision 6, paragraph (d), if it contributes each year an amount equal to 15 percent of the tax increments from the district received in that year into a redevelopment account, which may be used for redevelopment projects in the South Robert Street Redevelopment tax increment financing district (Dakota county housing and redevelopment authority tax increment financing district No. 4).

Subd. 3. [TIME LIMIT FOR INITIATING ACTION.] The time limits for initiation of activity in the district and reporting the initiation to the county auditor under Minnesota Statutes, section 469.176, subdivision 6, are extended to five and six years, respectively.

Subd. 4. [FIVE-YEAR RULE.] The district is subject to the requirement of Minnesota Statutes, section 469.1763, subdivision 3, except that the five-year period is extended to a ten-year period.

Subd. 5. [THREE-YEAR RULE.] The district is not subject to the provisions of Minnesota Statutes, section 469.176, subdivision 1a.

Subd. 6. [EFFECTIVE DATE.] This section is effective upon compliance by the city of West St. Paul with Minnesota Statutes, section 645.021, subdivision 3.

**Sec. 19. [CITY OF BROWERVILLE; TAX INCREMENT FINANCING DISTRICT.]**

Subdivision 1. [EXPENDITURES OUTSIDE OF DISTRICT.] Notwithstanding the provisions of Minnesota Statutes, section 469.1763, the city of Browerville may expend tax increments from tax increment district No. 2 for eligible activities outside tax increment district No. 2 but within development district No. 1, and the limitations contained in Minnesota Statutes, section 469.1763, subdivision 2, shall not apply.

Subd. 2. [EFFECTIVE DATE.] This section is effective after its approval by the governing body of the city of Browerville and compliance with Minnesota Statutes, section 645.021, subdivision 3.

**Sec. 20. [CITY OF DEEPHAVEN; TAX INCREMENT FINANCING.]**

Subdivision 1. [AUTHORIZATION OF EXPENDITURES.] Notwithstanding any law to the contrary, the city of Deephaven may expend revenues derived from tax increment financing district number 1-1 that are available and unencumbered on the date of enactment of this act to finance a public improvement located outside of the district. The public improvement must be included in the tax increment plan prior to January 1, 1997.

Subd. 2. [EFFECTIVE DATE.] This section is effective the day upon approval by the governing body of the city of Deephaven and compliance with Minnesota Statutes, section 645.021, subdivision 3, and applies to revenues expended after the date of final enactment.

Sec. 21. [EFFECTIVE DATE.]

Sections 1, 5, and 7 apply to tax increment financing districts certified before, on, or after August 1, 1979.

Sections 2, 3, 4, and 8 are effective for disclosures required to be made and reports required to be submitted in 1999.

Section 6 is effective for tax increment financing districts for which certification is requested after April 30, 1998.

Section 9 is effective the day following final enactment.

Section 11 is effective the day following final enactment and applies to abatements granted on or after that date.

Section 12 is effective upon compliance by Itasca county with Minnesota Statutes, section 645.021, subdivision 3.

## ARTICLE 10 BORDER CITY ZONES

Section 1. [272.0212] [BORDER DEVELOPMENT ZONE PROPERTY.]

Subdivision 1. [EXEMPTION.] All qualified property in a zone is exempt to the extent and for the duration provided by the zone designation and under sections 469.1931 to 469.1933.

Subd. 2. [LIMITS ON EXEMPTION.] Property in a zone is not exempt under this section from the following:

(1) special assessments;

(2) ad valorem property taxes specifically levied for the payment of principal and interest on debt obligations; and

(3) all taxes levied by a school district, except equalized school levies as defined in section 273.1398, subdivision 1, paragraph (e).

Subd. 3. [STATE AID.] Property exempt under this section is included in the net tax capacity for purposes of computing aids under chapter 477A.

Subd. 4. [DEFINITIONS.] (a) For purposes of this section, the following terms have the meanings given.

(b) "Qualified property" means class 3 and class 5 property as defined in section 273.13 that is located in a zone:

(1) designated by the city of Breckenridge or East Grand Forks; or

(2) not covered by clause (1) and is newly constructed after the zone was designated.

(c) "Zone" means a border city development zone designated under the provisions of section 469.1931.

Sec. 2. Minnesota Statutes 1996, section 290.06, is amended by adding a subdivision to read:

Subd. 26. [BORDER CITY ZONE CREDIT.] (a) A corporation may claim a credit against the tax imposed by this section and sections 290.0921 and 290.0922. The commissioner shall prescribe the method in which the credit may be claimed. This may include allowing the credit only as a separately processed claim for refund. The allowable credit equals the tax liability attributable to business conducted within a zone.

(b) Tax liability means the tax liability under this section and sections 290.0921 and 290.0922 after any other credits.

(c) The tax liability attributable to business conducted within a zone means the taxpayer's tax liability multiplied by a fraction:

(1) the numerator of which is (i) the ratio of the taxpayer's property factor under section 290.191 located in the zone for the taxable year minus the property factor located in zone for the taxable year immediately before the zone designation took effect to the taxpayer's total Minnesota property factor, plus (ii) the ratio of the taxpayer's payroll factor under section 290.191 for services performed in the zone for the taxable year minus the payroll factor for services performed in zone for the taxable year immediately before the zone designation took effect to the taxpayer's total Minnesota payroll factor; and

(2) the denominator of which is two.

(d) Any portion of the taxpayer's tax liability that is attributable to illegal activity conducted in the zone must not be used to calculate a credit under this subdivision.

(e) The credit allowed under this section continues through the taxable year in which the zone designation expires.

(f) To be eligible for a credit under this subdivision, the taxpayer must file an annual return under this chapter.

(g) The credit allowed under this subdivision may not exceed the lesser of:

(1) the tax liability of the taxpayer for the taxable year; or

(2) for taxable years beginning before January 1, 2002, the amount of the tax credit certificates received by the taxpayer from the city, less any tax credit certificates used under subdivision 27, and sections 297A.25, subdivision 73; and 469.1934, subdivision 4.

(h) "Zone" means a border city development zone designated under the provisions of section 469.1931.

Sec. 3. Minnesota Statutes 1996, section 290.06, is amended by adding a subdivision to read:

Subd. 27. [BORDER CITY NEW INDUSTRY CREDIT.] (a) To provide a tax incentive for new industry in border cities, a corporation is allowed a credit against the tax imposed by this section. The commissioner shall prescribe the method in which the credit may be claimed. This may include allowing the credit only as a separately processed claim for refund.

(b) For purposes of this subdivision, a border city means any city that is authorized to create a border city development zone under section 469.1931.

(c) The credit equals one percent of the wages and salaries paid by the taxpayer during the taxable year for employees whose principal place of work is located in a border city but outside of a zone designated under section 469.1931. The credit applies for the first three taxable years of the operation of the corporation in the border city. In the fourth and fifth taxable years of the operation of the corporation in the border city, the credit equals 0.5 percent of the wages and salaries. After the fifth year, no credit is allowed.

(d) The credit under this subdivision applies only to a corporate enterprise engaged in assembling, fabricating, manufacturing, mixing, or processing of any agricultural, mineral, or manufactured product or combinations of them.

(e) A corporation is not a new industry in a border city if the corporation is created from an existing corporation and remains part of the same unitary business as defined in section 290.17.

(f) The credit allowed under this subdivision may not exceed the lesser of:

(1) the tax liability of the taxpayer for the taxable year; or

(2) for taxable years beginning before January 1, 2002, the amount of the tax credit certificates received by the taxpayer from the city, less any tax credit certificates used under subdivision 26, and sections 297A.25, subdivision 73; and 469.1934, subdivision 4.

Sec. 4. Minnesota Statutes 1996, section 297A.25, is amended by adding a subdivision to read:

Subd. 73. [BORDER CITIES; CAPITAL EQUIPMENT; CONSTRUCTION MATERIALS.]

(a) The gross receipts from the sale of machinery and equipment and repair parts are exempt, if the machinery and equipment:

(1) are used in connection with a trade or business;

(2) are placed in service in a city that has designated a zone under section 469.1931, regardless of whether the machinery and equipment are used in a zone; and

(3) have a useful life of 12 months or more.

(b) The gross receipts from the sale of construction materials are exempt, if they are used to construct a facility for use in a trade or business located in a city that has designated a zone under section 469.1931, regardless of whether the facility is located in a zone.

(c) The exemptions under this subdivision apply regardless of whether the purchase is made by the owner, the user, or a contractor.

(d) For purchases made before July 1, 2001, a purchaser may claim an exemption under this subdivision for tax on the purchases up to, but not exceeding:

(1) the amount of the tax credit certificates received from the city, less

(2) any tax credit certificates used under the provisions of sections 290.06, subdivisions 26 and 27; and 469.1934, subdivision 4.

Sec. 5. Minnesota Statutes 1996, section 469.170, is amended by adding a subdivision to read:

Subd. 5e. [LIMITS ON MULTIYEAR PLANS.] The requirements for a multiyear enterprise zone tax credit distribution plan under subdivisions 5a to 5d apply only for:

(1) each business that will receive more than \$25,000 in credits in a year; or

(2) tax reductions under section 469.171, subdivision 1, for businesses in areas designated under section 469.171, subdivision 5.

Sec. 6. Minnesota Statutes 1996, section 469.171, subdivision 9, is amended to read:

Subd. 9. [RECAPTURE.] Any business that (1) receives tax reductions authorized by subdivisions 1 to 8, classification as employment property pursuant to section 469.170, or an alternative local contribution under section 469.169, subdivision 5; and (2) ceases to operate its facility located within the enterprise zone ~~within two years after the expiration of the tax reductions~~ shall repay the amount of the tax reduction or local contribution pursuant to the following schedule:

| Termination<br>of operations              | Repayment<br>Portion |
|---|----------------------|
| Less than 6 months                        | 100 percent          |
| 6 months or more but less than 12 months  | 75 percent           |
| 12 months or more but less than 18 months | 50 percent           |
| 18 months or more but less than 24 months | 25 percent           |

received during the two years immediately before it stopped operating in the zone.

The repayment must be paid to the state to the extent it represents a tax reduction under subdivisions 1 to 8 and to the municipality to the extent it represents a property tax reduction or other local contribution. Any amount repaid to the state must be credited to the amount certified as available for tax reductions in the zone pursuant to section 469.169, subdivision 7. Any amount repaid to the municipality must be used by the municipality for economic development purposes. The commissioner of revenue may seek repayment of tax credits from a business ceasing to operate within an enterprise zone.

Sec. 7. [469.1931] [BORDER CITY DEVELOPMENT ZONES.]

Subdivision 1. [DESIGNATION.] To encourage economic development, to revitalize the designated areas, to expand tax base and economic activity, and to provide job creation, growth, and retention, the following border cities may designate, by resolution, areas of the city as development zones after a public hearing upon 30-day notice.

(a) The city of Breckenridge may designate all or any part of the city as a zone.

(b) The city of Dilworth may designate between one and six areas of the city as zones containing not more than 100 acres in the aggregate.

(c) The city of East Grand Forks may designate all or any part of the city as a zone.

(d) The city of Moorhead may designate between one and six areas of the city as zones containing not more than 100 acres in the aggregate.

(e) The city of Ortonville may designate between one and six areas of the city as zones containing not more than 100 acres in the aggregate.

Subd. 2. [DEVELOPMENT PLAN.] (a) Before designating a development zone, the city must adopt a written development plan that addresses:

(1) evidence of adverse economic conditions within the area resulting from competition with the bordering state or the 1997 floods or both;

(2) the viability of the development plan;

(3) public and private commitment to and other resources available for the area;

(4) how designation would relate to a development and revitalization plan for the city as a whole; and

(5) how the local regulatory burden will be eased for businesses operating in the area.

(b) The development plan must include:

(1) a map of the proposed zone that indicates the geographic boundaries, the total area, and the present use and conditions generally of land and structures within the area;

(2) evidence of community support and commitment from business interests;

(3) a description of the methods proposed to increase economic opportunity and expansion, facilitate infrastructure improvement, and identify job opportunities; and

(4) the duration of the zone designation, not to exceed 15 years.

Subd. 3. [FILING.] The city must file a copy of the resolution and development plan with the commissioner of trade and economic development. The designation takes effect for the first calendar year that begins more than 90 days after the filing.

Sec. 8. [469.1932] [TAX INCENTIVES.]

Subdivision 1. [ZONE INCENTIVES.] A business that conducts business activity within a

border city development zone may qualify for the property tax exemption under section 272.0212, the corporate franchise tax credit under section 290.06, subdivision 26, and the sales tax exemption under section 297A.25, subdivision 73.

Subd. 2. [PHASEOUT AT END OF ZONE DURATION.] During the last three years of the duration of a border city development zone, the available exemptions, subtractions, or credits are reduced by the following percentages for the taxes payable year or the taxable years that begin during:

(1) the calendar year that is two years before the final year of designation as a development zone, 25 percent;

(2) the calendar year that is immediately before the final year of designation as a development zone, 50 percent; and

(3) for the final calendar year of designation as a development zone, 75 percent.

Sec. 9. [469.1933] [DISQUALIFIED TAXPAYERS.]

Subdivision 1. [DELINQUENT TAXPAYERS.] An individual who is a resident of a border city development zone or a business that conducts business activity within a border city development zone is not eligible for the exemptions or credits available in the border city development zone, if the individual or business owes delinquent amounts under chapter 290 or if the individual or business owns property located in the city or county in which the zone is located on which the property taxes are delinquent.

Subd. 2. [RELOCATION WITHIN COUNTY.] If a business located in the county in which the border city development zone is located relocates from outside a zone into a zone, the business is not eligible for the exemptions or credits available in the border city development zone, unless the governing body of the city, for a business located in an incorporated area, or the county, for a business located outside of an incorporated area, approves the relocation of the business.

Subd. 3. [RELOCATION FROM OUTSIDE COUNTY.] (a) If a business relocates more than 25 full-time equivalent jobs from a location in Minnesota outside of the county in which the zone is located, the business must notify the commissioner of trade and economic development and the city and county governments from which the jobs are being relocated. A business may satisfy the notification requirement by notifying the commissioner of trade and economic development, the city, and county of its intent to transfer jobs to a zone before actually doing so. The business is not eligible for the exemptions and credits available in the border city development zone, if the governing body of the city or county from which the jobs are being relocated adopts a resolution objecting to the relocation within 60 days after its receipt of the notice.

(b) The business becomes eligible for the exemptions and credits available in the zone when each city and county that objected to the relocation rescinds its objection by resolution.

(c) A city or county that objects to the relocation of jobs must file a copy of the resolution with the commissioners of trade and economic development and revenue, and the city that created the border city development zone into which the jobs were or intend to be transferred.

Sec. 10. [469.1934] [TAX INCENTIVES OUTSIDE ZONES.]

Subdivision 1. [AUTHORITY.] A city with authority to establish a border city development zone under section 469.1931 may grant the tax incentives provided by this section. This authority applies only to projects located outside of a zone.

Subd. 2. [DEFINITIONS.] For purposes of this section, "qualifying business" means the business conducted by a corporation, partnership, or individual doing business from a fixed location within the border city but located outside of the border city development zone.

Subd. 3. [PROPERTY TAX.] (a) A city may grant a partial or complete exemption from property taxation of all buildings, structures, fixtures, and improvements used in or necessary to a qualifying business for a period not exceeding five years from the date the project begins

operating. A partial exemption must be stated as a percentage of the total ad valorem taxes assessed against the property.

(b) In addition to, or in lieu of, a property tax exemption under paragraph (a), a city may establish an amount due as payments in lieu of ad valorem taxes on buildings, structures, fixtures, and improvements used by the qualifying business. The city council shall designate the amount of the payments for each year and the beginning year and the concluding year for payments in lieu of taxes. The option to make payments in lieu of taxes under this section may not extend beyond the 20th year after the taxpayer becomes a qualifying business. To establish the amount of payments in lieu of taxes, the city council may use actual or estimated levels of assessment and taxation or may designate different amounts of payments in lieu of other taxes in different years to recognize future expansion plans of a qualifying business or other considerations. The payments in lieu shall be collected and distributed in the same manner as ad valorem taxes.

(c) The city council must determine whether granting the exemption or payments in lieu of taxes, or both, is in the best interest of the city, and if it so determines, must give its approval.

Subd. 4. [INCOME TAX.] (a) Upon application by the qualifying business to the city, and approval of the city, the net income of the qualified business attributable to the border city, but outside the border city development zone, shall be exempt. The attributable net income of a qualified business in the border city is determined by multiplying the net income of the taxpayer by a fraction:

(1) the numerator of which is:

(i) the ratio of the taxpayer's property factor under section 290.191 located in the border city, but outside of the border city development zone, for the taxable year over the property factor denominator determined under section 290.191, plus

(ii) the ratio of the taxpayer's payroll factor under section 290.191 located in the border city, but outside of the border city development zone, for the taxable year over the payroll factor denominator determined under section 290.191; and

(2) the denominator of which is two.

(b) The exemption under this subdivision applies after any credit allowed under section 290.06, subdivision 27.

(c) After any notice period required by subdivision 5, the city council must determine whether granting the exemption is in the best interest of the city, and if it so determines, must give its approval.

(d) For taxable years beginning before January 1, 2002, the exemption under this subdivision may not exceed the amount of the tax credit certificates received by the taxpayer from the city, less any tax credit certificates used under sections 290.06, subdivisions 26 and 27; and 297A.25, subdivision 73.

Subd. 5. [NOTICE TO COMPETITORS.] (a) Before an exemption or other concession is granted under subdivision 3 or 4, the procedure under this subdivision applies.

(b) Unless the city council determines that no existing business within the city would be a potential competitor of the project, the project operator shall publish two notices to competitors of the application of the tax exemption or payments in lieu in the official newspaper of the city. The commissioner of revenue shall prescribe the form of the notice. The two notices must be published at least one week apart. The publications must be completed not less than 15 days nor more than 30 days before the city council approves the tax exemption or payments in lieu of taxes.

Sec. 11. [469.1935] [NEW HOME EXEMPTION.]

The governing body of a city with authority to establish a border city development zone under section 469.1931 may grant a property tax exemption for the first \$75,000 of estimated market value of new property that will be assessed under section 273.13, subdivision 22, as class 1, or

under subdivision 25, as class 4bb, and that consists of no more than one dwelling unit. The exemption does not apply to the value of the land. The exemption applies to the first two assessment years that begin after construction began on the dwelling. The following requirements apply:

(1) the governing body must grant the exemption by resolution. It may rescind or amend the resolution at any time, effective for assessment years beginning after the date of adoption;

(2) special assessments and taxes on the property upon which the dwelling is situated are not delinquent; and

(3) the first owner after the builder resides on the property or the builder still owns the property. A builder includes a person who builds that person's own residence.

Sec. 12. [469.1936] [LIMIT ON TAX REDUCTIONS; FISCAL YEARS 1999-2001.]

Subdivision 1. [BUSINESSES MUST APPLY.] To claim a tax credit or exemption under section 290.06, subdivision 26 or 27; or 469.1934, subdivision 4 for a taxable year beginning before January 1, 2002 or an exemption from sales tax under section 297A.25, subdivision 73, for a purchase made before July 1, 2001, a business must apply to the city for a tax credit certificate. The total amount of the state tax reductions allowed for the specified period may not exceed the amount of the tax credit certificates provided by the city to the business.

Subd. 2. [CITY LIMITS.] (a) Each city may provide tax credit certificates to businesses that apply and meet the requirements for the tax credit and exemption. The certificates that each city may provide for the period covered by this section is limited to the amount specified in this subdivision. No other tax credits or exemptions apply for otherwise qualifying activity or purchases during taxable years beginning before January 1, 2002 or for purchases made before July 1, 2001.

(b) The maximum amount of tax credit certificates each city may issue equals:

(1) for the city of Breckenridge, \$394,000;

(2) for the city of Dilworth, \$118,200;

(3) for the city of East Grand Forks, \$788,000;

(4) for the city of Moorhead, \$591,000; and

(5) for the city of Ortonville, \$78,800.

Sec. 13. [EFFECTIVE DATE.]

Sections 1 to 4 and 7 to 12 are effective the day following final enactment.

Section 5 is effective for plans required to be filed after the day following final enactment, regardless of whether the business received a credit and was required to file a plan in a prior year.

Section 6 is effective for tax reductions received beginning in the first calendar year after the day following final enactment.

ARTICLE 11  
GAMING TAXES

Section 1. Minnesota Statutes 1996, section 240.15, subdivision 1, is amended to read:

Subdivision 1. [TAXES IMPOSED.] (a) From July 1, 1996, until July 1, 1999, There is imposed a tax at the rate of six percent of the amount in excess of \$12,000,000 annually withheld from all pari-mutuel pools by the licensee, including breakage and amounts withheld under section 240.13, subdivision 4. After June 30, 1999, the tax is imposed on the total amount withheld from all pari-mutuel pools. For the purpose of this subdivision, "annually" is the period from July 1 to June 30 of the next year.

In addition to the above tax, the licensee must designate and pay to the commission a tax of one percent of the total amount bet on each racing day, for deposit in the Minnesota breeders fund.

The taxes imposed by this clause must be paid from the amounts permitted to be withheld by a licensee under section 240.13, subdivision 4.

(b) The commission may impose an admissions tax of not more than ten cents on each paid admission at a licensed racetrack on a racing day if:

- (1) the tax is requested by a local unit of government within whose borders the track is located;
- (2) a public hearing is held on the request; and
- (3) the commission finds that the local unit of government requesting the tax is in need of its revenue to meet extraordinary expenses caused by the racetrack.

Sec. 2. Minnesota Statutes 1996, section 240.15, subdivision 5, is amended to read:

Subd. 5. [UNREDEEMED TICKETS.] (a) Notwithstanding any provision to the contrary in chapter 345, unredeemed pari-mutuel tickets shall not be considered unclaimed funds and shall be handled in accordance with the provisions of this subdivision.

(b) ~~Until the end of calendar year 1999,~~ Any person claiming to be entitled to the proceeds of any unredeemed ticket may within one year after the conclusion of each race meet file with the licensee a verified claim for such proceeds on such form as the licensee prescribes along with the pari-mutuel ticket. Unless the claimant satisfactorily establishes the right to the proceeds, the claim shall be rejected. If the claim is allowed, the licensee shall pay the proceeds without interest to the claimant.

~~(c) Beginning January 1, 2000, not later than 100 days after the end of a race meet a licensee who sells pari-mutuel tickets must remit to the commission or its representative an amount equal to the total value of unredeemed tickets from the race meet. The remittance must be accompanied by a detailed statement of the money on a form the commission prescribes. Any person claiming to be entitled to the proceeds of any unredeemed ticket who fails to claim said proceeds prior to their being remitted to the commission, may within one year after the date of remittance to the commission file with the commission a verified claim for such proceeds on such form as the commission prescribes along with the pari-mutuel ticket. Unless the claimant satisfactorily establishes the right to the proceeds, the claim shall be rejected. If the claim is allowed, the commission shall pay the proceeds without interest to the claimant. There is hereby appropriated from the general fund to the commission an amount sufficient to make payment to persons entitled to such proceeds.~~

Sec. 3. Minnesota Statutes 1996, section 297E.02, subdivision 1, is amended to read:

Subdivision 1. [IMPOSITION.] A tax is imposed on all lawful gambling other than (1) pull-tabs purchased and placed into inventory after January 1, 1987, and (2) tipboards purchased and placed into inventory after June 30, 1988, at the rate of ~~ten~~ 9.5 percent on the gross receipts as defined in section 297E.01, subdivision 8, less prizes actually paid. The tax imposed by this subdivision is in lieu of the tax imposed by section 297A.02 and all local taxes and license fees except a fee authorized under section 349.16, subdivision 8, or a tax authorized under subdivision 5.

The tax imposed under this subdivision is payable by the organization or party conducting, directly or indirectly, the gambling.

Sec. 4. Minnesota Statutes 1996, section 297E.02, subdivision 4, is amended to read:

Subd. 4. [PULL-TAB AND TIPBOARD TAX.] (a) A tax is imposed on the sale of each deal of pull-tabs and tipboards sold by a distributor. The rate of the tax is ~~two~~ 1.9 percent of the ideal gross of the pull-tab or tipboard deal. The sales tax imposed by chapter 297A on the sale of the pull-tabs and tipboards by the distributor is imposed on the retail sales price less the tax imposed by this subdivision. The retail sale of pull-tabs or tipboards by the organization is exempt from

taxes imposed by chapter 297A and is exempt from all local taxes and license fees except a fee authorized under section 349.16, subdivision 8.

(b) The liability for the tax imposed by this section is incurred when the pull-tabs and tipboards are delivered by the distributor to the customer or to a common or contract carrier for delivery to the customer, or when received by the customer's authorized representative at the distributor's place of business, regardless of the distributor's method of accounting or the terms of the sale.

The tax imposed by this subdivision is imposed on all sales of pull-tabs and tipboards, except the following:

- (1) sales to the governing body of an Indian tribal organization for use on an Indian reservation;
- (2) sales to distributors licensed under the laws of another state or of a province of Canada, as long as all statutory and regulatory requirements are met in the other state or province;
- (3) sales of promotional tickets as defined in section 349.12; and
- (4) pull-tabs and tipboards sold to an organization that sells pull-tabs and tipboards under the exemption from licensing in section 349.166, subdivision 2. A distributor shall require an organization conducting exempt gambling to show proof of its exempt status before making a tax-exempt sale of pull-tabs or tipboards to the organization. A distributor shall identify, on all reports submitted to the commissioner, all sales of pull-tabs and tipboards that are exempt from tax under this subdivision.

(c) A distributor having a liability of \$120,000 or more during a fiscal year ending June 30 must remit all liabilities in the subsequent calendar year by a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the tax is due. If the date the tax is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the tax is due.

(d) Any customer who purchases deals of pull-tabs or tipboards from a distributor may file an annual claim for a refund or credit of taxes paid pursuant to this subdivision for unsold pull-tab and tipboard tickets. The claim must be filed with the commissioner on a form prescribed by the commissioner by March 20 of the year following the calendar year for which the refund is claimed. The refund must be filed as part of the customer's February monthly return. The refund or credit is equal to ~~two~~ 1.9 percent of the face value of the unsold pull-tab or tipboard tickets, provided that the refund or credit will be 1.95 percent of the face value of the unsold pull-tab or tipboard tickets for claims for a refund or credit of taxes filed on the February 1999 monthly return. The refund claimed will be applied as a credit against tax owing under this chapter on the February monthly return. If the refund claimed exceeds the tax owing on the February monthly return, that amount will be refunded. The amount refunded will bear interest pursuant to section 270.76 from 90 days after the claim is filed.

Sec. 5. Minnesota Statutes 1996, section 297E.02, subdivision 6, is amended to read:

Subd. 6. [COMBINED RECEIPTS TAX.] In addition to the taxes imposed under subdivisions 1 and 4, a tax is imposed on the combined receipts of the organization. As used in this section, "combined receipts" is the sum of the organization's gross receipts from lawful gambling less gross receipts directly derived from the conduct of bingo, raffles, and paddlewheels, as defined in section 297E.01, subdivision 8, for the fiscal year. The combined receipts of an organization are subject to a tax computed according to the following schedule:

| If the combined receipts for the fiscal year are: | The tax is:  |
|---|--|
| Not over \$500,000                                | zero   |
| Over \$500,000, but not over \$700,000            | <del>two</del> <u>1.9</u> percent of the amount over \$500,000, but not over \$700,000 |

|  |  |
|--|--|
| Over \$700,000, but not over \$900,000 | \$4,000 <del>\$3,800</del> plus four<br>3.8 percent of the<br>amount over \$700,000, but<br>not over \$900,000 |
| Over \$900,000                         | \$12,000 <del>\$11,400</del> plus six<br>5.7 percent of the<br>amount over \$900,000                           |

Sec. 6. [EFFECTIVE DATE.]

Sections 2 to 5 are effective July 1, 1998.

ARTICLE 12

MISCELLANEOUS

Section 1. Minnesota Statutes 1997 Supplement, section 270.60, subdivision 4, is amended to read:

Subd. 4. [PAYMENTS TO COUNTIES.] (a) The commissioner shall pay to a qualified county in which an Indian gaming casino is located ten percent of the state share of all taxes generated from activities on reservations and collected under a tax agreement under this section with the tribal government for the reservation located in the county. If the tribe has casinos located in more than one county, the payment must be divided equally among the counties in which the casinos are located.

~~(b) A county qualifies for payments under this subdivision only if one of the following conditions is met:~~

~~(1) the county's per capita income is less than 80 percent of the state per capita personal income, based on the most recent estimates made by the United States Bureau of Economic Analysis; or~~

~~(2) 30 percent or more of the total market value of real property in the county is exempt from ad valorem taxation.~~

(e) The commissioner shall make the payments required under this subdivision by February 28 of the year following the year the taxes are collected.

~~(d)~~ (c) An amount sufficient to make the payments authorized by this subdivision, not to exceed \$1,100,000 in any fiscal year, is annually appropriated from the general fund to the commissioner. If the authorized payments exceed the amount of the appropriation, the commissioner shall proportionately reduce the rate so that the total amount equals the appropriation.

Sec. 2. Minnesota Statutes 1997 Supplement, section 270.67, subdivision 2, is amended to read:

Subd. 2. [EXTENSION AGREEMENTS.] When any portion of any tax payable to the commissioner of revenue together with interest and penalty thereon, if any, has not been paid, the commissioner may extend the time for payment for a further period. When the authority of this section is invoked, the extension shall be evidenced by written agreement signed by the taxpayer and the commissioner, stating the amount of the tax with penalty and interest, if any, and providing for the payment of the amount in installments. The agreement may contain a confession of judgment for the amount and for any unpaid portion thereof and shall provide that the commissioner may forthwith enter judgment against the taxpayer in the district court of the county of residence as shown upon the taxpayer's tax return for the unpaid portion of the amount specified in the extension agreement. The agreement shall provide that it can be terminated, after notice by the commissioner, if information provided by the taxpayer prior to the agreement was inaccurate or incomplete, collection of the tax covered by the agreement is in jeopardy, there is a subsequent change in the taxpayer's financial condition, the taxpayer has failed to make a payment due under the agreement, or has failed to pay any other tax or file a tax return coming due after the agreement. The notice must be given at least 14 calendar days prior to termination, and shall

advise the taxpayer of the right to request a reconsideration from the commissioner of whether termination is reasonable and appropriate under the circumstances. A request for reconsideration does not stay collection action beyond the 14-day notice period. If the commissioner has reason to believe that collection of the tax covered by the agreement is in jeopardy, the commissioner may proceed under sections 270.70, subdivision 2, paragraph (b), and 270.274, and terminate the agreement without regard to the 14-day period. The commissioner may accept other collateral the commissioner considers appropriate to secure satisfaction of the tax liability. The principal sum specified in the agreement shall bear interest at the rate specified in section 270.75 on all unpaid portions thereof until the same has been fully paid or the unpaid portion thereof has been entered as a judgment. The judgment shall bear interest at the rate specified in section 270.75. If it appears to the commissioner that the tax reported by the taxpayer is in excess of the amount actually owing by the taxpayer, the extension agreement or the judgment entered pursuant thereto shall be corrected. If after making the extension agreement or entering judgment with respect thereto, the commissioner determines that the tax as reported by the taxpayer is less than the amount actually due, the commissioner shall assess a further tax in accordance with the provisions of law applicable to the tax. The authority granted to the commissioner by this section is in addition to any other authority granted to the commissioner by law to extend the time of payment or the time for filing a return and shall not be construed in limitation thereof.

Sec. 3. Minnesota Statutes 1997 Supplement, section 465.715, subdivision 1, is amended to read:

Subdivision 1. [STATUTORY AUTHORIZATION REQUIRED.] A county, home rule charter city, statutory city, town, school district, or other political subdivision may not create a corporation, whether for profit or not for profit, unless explicitly authorized to do so by law. Except as provided by subdivision 2, this subdivision applies to a corporation for which a certificate of incorporation is issued by the secretary of state on or after June 1, 1997. A corporation that had been issued a certificate of incorporation before June 1, 1997, may continue to operate as if it had been created in compliance with this subdivision.

Sec. 4. Minnesota Statutes 1996, section 469.015, subdivision 4, is amended to read:

Subd. 4. [EXCEPTIONS.] (a) An authority need not require competitive bidding in the following circumstances:

- (1) in the case of a contract for the acquisition of a low-rent housing project:
  - (i) for which financial assistance is provided by the federal government;
  - (ii) which does not require any direct loan or grant of money from the municipality as a condition of the federal financial assistance; and
  - (iii) for which the contract provides for the construction of the project upon land that is either owned by the authority for redevelopment purposes or not owned by the authority at the time of the contract but the contract provides for the conveyance or lease to the authority of the project or improvements upon completion of construction;
- (2) with respect to a structured parking facility:
  - (i) constructed in conjunction with, and directly above or below, a development; and
  - (ii) financed with the proceeds of tax increment or parking ramp general obligation or revenue bonds; and
- (3) in the case of any building in which at least 75 percent of the useable square footage constitutes a housing development project if:
  - (i) the project is financed with the proceeds of bonds issued under section 469.034 or from nongovernmental sources;
  - (ii) the project is either located on land that is owned or is being acquired by the authority only for development purposes, or is not owned by the authority at the time the contract is entered into

but the contract provides for conveyance or lease to the authority of the project or improvements upon completion of construction; and

(iii) the authority finds and determines that elimination of the public bidding requirements is necessary in order for the housing development project to be economical and feasible.

(b) An authority need not require a performance bond for the following projects:

(1) a contract described in paragraph (a), clause (1);

(2) a construction change order for a housing project in which 30 percent of the construction has been completed;

(3) a construction contract for a single-family housing project in which the authority acts as the general construction contractor; or

(4) a services or materials contract for a housing project.

For purposes of this paragraph, "services or materials contract" does not include construction contracts.

Sec. 5. Minnesota Statutes 1996, section 473.3915, subdivision 2, is amended to read:

Subd. 2. [REGULAR ROUTE TRANSIT SERVICE.] "Regular route transit service" means services as defined in section 473.385, subdivision 1, paragraph (b), with at least two scheduled runs per hour between 7:00 a.m. and 6:30 p.m., Monday to Friday, and regularly scheduled service on Saturday, Sunday, and holidays, and weekdays after 6:30 p.m. The two scheduled runs for buses leaving a replacement transit service transit hub need not be on the same route.

Sec. 6. Minnesota Statutes 1996, section 473.3915, subdivision 3, is amended to read:

Subd. 3. [TRANSIT ZONE.] (a) Except as provided in paragraph (b), "transit zone" means the area within one-quarter of a mile of a route along which regular route transit service is provided that is also within the metropolitan urban service area, as determined by the council. "Transit zone" includes any light rail transit route for which funds for construction have been committed.

(b) A transit zone that surrounds a replacement transit service transit hub has a limiting area of one-eighth mile rather than the one-quarter mile provided in paragraph (a).

(c) The prohibition under section 273.13, subdivision 24, paragraph (c), item (v), that applies to structures primarily used for retail does not apply to structures primarily used for retail that are in transit zones described in paragraph (b).

Sec. 7. Minnesota Statutes 1996, section 473.3915, subdivision 5, is amended to read:

Subd. 5. [TRANSIT ZONE MAP; ~~DATE FIRST PRODUCED MAPS.~~] The metropolitan council shall produce an initial version of the transit zone map required under subdivision 4 by January 1, 1996, and a later version as required by the amendments made in sections 1 and 2.

Sec. 8. [EFFECTIVE DATE.]

Section 2 is effective the day following final enactment.

Section 6, paragraph (c), is effective July 1, 1998, only for taxes levied in 1998, payable in 1999, through taxes levied in 2008, payable in 2009."

Delete the title and insert:

"A bill for an act relating to the financing and operation of government in this state; providing property tax reform; making changes to property rates, levies, notices, hearings, assessments, exemptions, aids, and credits; providing bonding and levy authority, and other powers to certain political subdivisions; making changes to income, sales, and excise tax provisions; authorizing the imposition of certain local sales, use, and excise taxes; modifying provisions relating to the budget

reserve and other accounts; authorizing certain tax incentives in certain border communities; making changes to tax increment financing, regional development, housing, and economic development provisions; providing for the taxation of taconite and the distribution of taconite taxes; modifying provisions relating to the taxation and operation of gaming; making miscellaneous changes to state and local tax and operating provisions; amending Minnesota Statutes 1996, sections 16A.6701, by adding a subdivision; 124A.03, subdivision 1f; 240.15, subdivisions 1 and 5; 273.1398, subdivisions 2 and 4; 275.07, by adding a subdivision; 290.01, subdivision 3b; 290.06, subdivisions 2c, and by adding subdivisions; 290.067, subdivisions 2 and 2a; 290.0671, by adding subdivisions; 290.091, subdivision 2; 290.0921, subdivision 3a; 290.10; 290.191, subdivisions 1, 6, and 11; 290.21, subdivision 3; 290A.03, subdivision 3; 297A.02, subdivisions 2 and 4; 297A.135, subdivision 4; 297A.25, by adding subdivisions; 297E.02, subdivisions 1, 4, and 6; 298.22, subdivision 2; 298.221; 298.2213, subdivision 4; 298.225, subdivision 1; 298.28, subdivisions 2, 3, 4, 6, 7, 9, and 10; 298.48, subdivision 1; 462.396, subdivision 2; 469.015, subdivision 4; 469.170, by adding a subdivision; 469.171, subdivision 9; 469.174, by adding a subdivision; 469.175, subdivisions 5, 6, 6a, and by adding a subdivision; 469.176, subdivision 7; 469.177, by adding a subdivision; 469.1771, subdivision 5, and by adding a subdivision; 473.39, by adding a subdivision; 473.3915, subdivisions 2, 3, and 5; 477A.0122, subdivision 6; 477A.03, subdivision 2; Minnesota Statutes 1997 Supplement, sections 124.239, subdivisions 5, 5a, and 5b; 270.60, subdivision 4; 270.67, subdivision 2; 272.02, subdivision 1; 272.115, subdivisions 4 and 5; 273.124, subdivision 14; 273.126, subdivision 3; 273.127, subdivision 3; 273.13, subdivisions 22, 23, 24, 25, and 31; 273.1382, subdivisions 1 and 3; 275.065, subdivisions 3 and 6; 275.16; 275.70, by adding a subdivision; 287.08; 289A.02, subdivision 7; 289A.19, subdivision 2; 290.01, subdivisions 19, 19a, 19b, 19c, 19f, and 31; 290.0671, subdivision 1; 290.0672, subdivision 1; 290.0673, subdivision 6; 290.091, subdivision 6; 290.371, subdivision 2; 290A.03, subdivision 15; 290B.04, subdivisions 1 and 3; 290B.05, subdivisions 1, 2, and 3; 290B.06; 290B.07; 291.005, subdivision 1; 297A.25, subdivisions 11, 59, and by adding a subdivision; 297A.256, subdivision 1; 297B.03; 297G.01, by adding a subdivision; 297G.03, subdivision 1; 298.24, subdivision 1; 298.28, subdivisions 9a and 9b; 298.296, subdivision 4; 462A.071, subdivisions 2, 4, and 8; 465.715, subdivision 1; 469.1812, subdivision 4; 477A.011, subdivision 36; Laws 1965, chapter 326, section 1, subdivision 5, as amended; Laws 1971, chapter 773, sections 1, as amended, and 2, as amended; Laws 1976, chapter 162, section 1, as amended; Laws 1984, chapter 380, sections 1, as amended, and 2; Laws 1991, chapter 291, article 8, section 27, subdivision 3; Laws 1992, chapter 511, article 2, section 52, as amended; Laws 1993, chapter 375, article 9, section 46, subdivision 2; Laws 1997, chapter 231, articles 1, section 16, as amended; 2, section 68, subdivision 3; 5, section 18, subdivision 1; 7, section 47; 10, section 24; and 13, section 19; proposing coding for new law in Minnesota Statutes, chapters 272; 290; 290B; 298; and 469; repealing Minnesota Statutes 1996, sections 289A.50, subdivision 6; 290.191, subdivision 8; 298.012; 298.21; 298.23; 298.34, subdivisions 1 and 4; 298.391, subdivisions 2 and 5; Minnesota Statutes 1997 Supplement, sections 273.13, subdivision 32; 275.70; 275.71; 275.72; 275.73; 275.74; Laws 1997, chapter 231, article 3, section 8."

And when so amended the bill do pass. Amendments adopted. Report adopted.

## SECOND READING OF SENATE BILLS

S.F. No. 2985 was read the the second time.

## MOTIONS AND RESOLUTIONS

Mr. Murphy moved that S.F. No. 3304 be withdrawn from the Committee on Children, Families and Learning and returned to its author. The motion prevailed.

## RECESS

Mr. Moe, R.D. moved that the Senate do now recess until 12:00 noon. The motion prevailed.

The hour of 12:00 noon having arrived, the President called the Senate to order.

### CALL OF THE SENATE

Mr. Moe, R.D. imposed a call of the Senate. The Sergeant at Arms was instructed to bring in the absent members.

### SUSPENSION OF RULES

Mr. Moe, R.D. moved that an urgency be declared within the meaning of Article IV, Section 19, of the Constitution of Minnesota, with respect to S.F. No. 2985 and that the rules of the Senate be so far suspended as to give S.F. No. 2985, now on General Orders, its third reading and place it on its final passage. The motion prevailed.

**S.F. No. 2985:** A bill for an act relating to the financing and operation of government in this state; providing property tax reform; making changes to property rates, levies, notices, hearings, assessments, exemptions, aids, and credits; providing bonding and levy authority, and other powers to certain political subdivisions; making changes to income, sales, and excise tax provisions; authorizing the imposition of certain local sales, use, and excise taxes; modifying provisions relating to the budget reserve and other accounts; authorizing certain tax incentives in certain border communities; making changes to tax increment financing, regional development, housing, and economic development provisions; providing for the taxation of taconite and the distribution of taconite taxes; modifying provisions relating to the taxation and operation of gaming; making miscellaneous changes to state and local tax and operating provisions; amending Minnesota Statutes 1996, sections 16A.6701, by adding a subdivision; 124A.03, subdivision 1f; 240.15, subdivisions 1 and 5; 273.1398, subdivisions 2 and 4; 275.07, by adding a subdivision; 290.01, subdivision 3b; 290.06, subdivisions 2c, and by adding subdivisions; 290.067, subdivisions 2 and 2a; 290.0671, by adding subdivisions; 290.091, subdivision 2; 290.0921, subdivision 3a; 290.10; 290.191, subdivisions 1, 6, and 11; 290.21, subdivision 3; 290A.03, subdivision 3; 297A.02, subdivisions 2 and 4; 297A.135, subdivision 4; 297A.25, by adding subdivisions; 297E.02, subdivisions 1, 4, and 6; 298.22, subdivision 2; 298.221; 298.2213, subdivision 4; 298.225, subdivision 1; 298.28, subdivisions 2, 3, 4, 6, 7, 9, and 10; 298.48, subdivision 1; 462.396, subdivision 2; 469.015, subdivision 4; 469.170, by adding a subdivision; 469.171, subdivision 9; 469.174, by adding a subdivision; 469.175, subdivisions 5, 6, 6a, and by adding a subdivision; 469.176, subdivision 7; 469.177, by adding a subdivision; 469.1771, subdivision 5, and by adding a subdivision; 473.39, by adding a subdivision; 473.3915, subdivisions 2, 3, and 5; 477A.0122, subdivision 6; 477A.03, subdivision 2; Minnesota Statutes 1997 Supplement, sections 124.239, subdivisions 5, 5a, and 5b; 270.60, subdivision 4; 270.67, subdivision 2; 272.02, subdivision 1; 272.115, subdivisions 4 and 5; 273.124, subdivision 14; 273.126, subdivision 3; 273.127, subdivision 3; 273.13, subdivisions 22, 23, 24, 25, and 31; 273.1382, subdivisions 1 and 3; 275.065, subdivisions 3 and 6; 275.16; 275.70, by adding a subdivision; 287.08; 289A.02, subdivision 7; 289A.19, subdivision 2; 290.01, subdivisions 19, 19a, 19b, 19c, 19f, and 31; 290.0671, subdivision 1; 290.0672, subdivision 1; 290.0673, subdivision 6; 290.091, subdivision 6; 290.371, subdivision 2; 290A.03, subdivision 15; 290B.04, subdivisions 1 and 3; 290B.05, subdivisions 1, 2, and 3; 290B.06; 290B.07; 291.005, subdivision 1; 297A.25, subdivisions 11, 59, and by adding a subdivision; 297A.256, subdivision 1; 297B.03; 297G.01, by adding a subdivision; 297G.03, subdivision 1; 298.24, subdivision 1; 298.28, subdivisions 9a and 9b; 298.296, subdivision 4; 462A.071, subdivisions 2, 4, and 8; 465.715, subdivision 1; 469.1812, subdivision 4; 477A.011, subdivision 36; Laws 1965, chapter 326, section 1, subdivision 5, as amended; Laws 1971, chapter 773, sections 1, as amended, and 2, as amended; Laws 1976, chapter 162, section 1, as amended; Laws 1984, chapter 380, sections 1, as amended, and 2; Laws 1991, chapter 291, article 8, section 27, subdivision 3; Laws 1992, chapter 511, article 2, section 52, as amended; Laws 1993, chapter 375, article 9, section 46, subdivision 2; Laws 1997, chapter 231, articles 1, section 16, as amended; 2, section 68, subdivision 3; 5, section 18, subdivision 1; 7, section 47; 10, section 24; and 13, section 19; proposing coding for new law in Minnesota Statutes, chapters 272; 290; 290B; 298; and 469; repealing Minnesota Statutes 1996, sections 289A.50, subdivision 6; 290.191, subdivision 8; 298.012; 298.21; 298.23; 298.34,

subdivisions 1 and 4; 298.391, subdivisions 2 and 5; Minnesota Statutes 1997 Supplement, sections 273.13, subdivision 32; 275.70; 275.71; 275.72; 275.73; 275.74; Laws 1997, chapter 231, article 3, section 8.

Ms. Kiscaden moved to amend S.F. No. 2985 as follows:

Page 104, after line 23, insert:

"Sec. 25. Laws 1997, chapter 231, article 5, section 20, is amended to read:

Sec. 20. [EFFECTIVE DATE.]

Sections 1, 5, 6, 11, 16, and 18 are effective the day following final enactment.

Sections 2 to 4, and 9 are effective for taxable years beginning after December 31, 1996.

Section 7 is effective for taxable years beginning after December 31, 1998 1997.

Section 8 is effective for tax credit certificates issued after December 31, 1996, and used in taxable years beginning after December 31, 1996.

Section 10 is effective January 1, 1998.

Sections 12, 13, 15, and 19 are effective beginning for property tax refunds based on rent paid after December 31, 1996.

Section 17 is effective April 16, 1997."

Page 105, after line 26, insert:

"Section 25 is effective the day following final enactment."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion did not prevail. So the amendment was not adopted.

### CALL OF THE SENATE

Ms. Pappas imposed a call of the Senate for the balance of the proceedings on S.F. No. 2985. The Sergeant at Arms was instructed to bring in the absent members.

Mr. Pogemiller moved to amend S.F. No. 2985 as follows:

Page 16, line 15, strike "and"

Page 16, line 17, before the period, insert "; and

(iii) it does not require a customer who is able to maintain the course pace of play to use, or pay for, a motorized golf cart"

The motion prevailed. So the amendment was adopted.

Mr. Johnson, D.J. moved to amend S.F. No. 2985 as follows:

Page 13, line 18, after the period, insert "Class 4a property also includes property that constitutes an establishment that is actively and exclusively devoted to indoor fitness, health, social, recreational, and related uses and which is owned and operated by a not-for-profit corporation."

Page 105, line 17, after "Sections" insert "4, clause (13),"

Page 105, line 19, after "11," insert "12,"

Page 115, line 20, delete "unwithdrawn"

Page 115, line 21, delete "in" and insert "withdrawn from" and after "account" insert "for all years"

Pages 120 to 121, delete section 9

Page 188, after line 26, insert:

"Sec. 21. [KITTSOON COUNTY; ECONOMIC DEVELOPMENT AUTHORITY; AUTHORIZATION.]

Subdivision 1. [AUTHORIZATION.] The board of county commissioners of Kittson county may establish an economic development authority in the manner provided in Minnesota Statutes, sections 469.090 to 469.1081, and may impose limits on the authority enumerated in Minnesota Statutes, section 469.092. The economic development authority has all of the powers and duties granted to or imposed upon economic development authorities under Minnesota Statutes, sections 469.090 to 469.1081. The county economic development authority may create and define the boundaries of economic development districts at any place or places within the county, provided that a project as recommended by the county authority that is to be located within the corporate limits of a city may not be commenced without the approval of the governing body of the city. Minnesota Statutes, section 469.174, subdivision 10, and the contiguity requirement specified under Minnesota Statutes, section 469.101, subdivision 1, do not apply to limit the areas that may be designated as county economic development districts.

Subd. 2. [POWERS.] If an economic development authority is established as provided in subdivision 1, the county may exercise all of the powers relating to an economic development authority granted to a city under Minnesota Statutes, sections 469.090 to 469.1081, or other law, including the power to levy a tax to support the activities of the authority.

Subd. 3. [LOCAL APPROVAL.] This section is effective the day after the Kittson county board's approval is filed according to Minnesota Statutes, section 645.021, subdivision 3."

Page 205, after line 17, insert:

"Section 1. Minnesota Statutes 1997 Supplement, section 60A.15, subdivision 1, is amended to read:

Subdivision 1. [DOMESTIC AND FOREIGN COMPANIES.] (a) On or before April 1, June 1, and December 1 of each year, every domestic and foreign company, including town and farmers' mutual insurance companies, domestic mutual insurance companies, marine insurance companies, health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations, shall pay to the commissioner of revenue installments equal to one-third of the insurer's total estimated tax for the current year. Except as provided in paragraphs (d), (e), (h), and (i), installments must be based on a sum equal to two percent of the premiums described in paragraph (b).

(b) Installments under paragraph (a), (d), or (e) are percentages of gross premiums less return premiums on all direct business received by the insurer in this state, or by its agents for it, in cash or otherwise, during such year.

(c) Failure of a company to make payments of at least one-third of either (1) the total tax paid during the previous calendar year or (2) 80 percent of the actual tax for the current calendar year shall subject the company to the penalty and interest provided in this section, unless the total tax for the current tax year is \$500 or less.

(d) For health maintenance organizations, nonprofit health service plan corporations, and community integrated service networks, the installments must be based on an amount determined under paragraph (h) or (i).

(e) For purposes of computing installments for town and farmers' mutual insurance companies and for mutual property casualty companies with total assets on December 31, 1989, of \$1,600,000,000 or less, the following rates apply:

(1) for all life insurance, two percent;

(2) for town and farmers' mutual insurance companies and for mutual property and casualty companies with total assets of \$5,000,000 or less, on all other coverages, one percent; and

(3) for mutual property and casualty companies with total assets on December 31, 1989, of \$1,600,000,000 or less, on all other coverages, 1.26 percent.

(f) If the aggregate amount of premium tax payments under this section and the fire marshal tax payments under section 299F.21 made during a calendar year is equal to or exceeds \$120,000, all tax payments in the subsequent calendar year must be paid by means of a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the payment is due. If the date the payment is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the payment is due.

(g) Premiums under medical assistance, general assistance medical care, the MinnesotaCare program, and the Minnesota comprehensive health insurance plan and all payments, revenues, and reimbursements received from the federal government for Medicare-related coverage as defined in section 62A.31, subdivision 3, paragraph (e), are not subject to tax under this section.

(h) For calendar years 1997, 1998, and 1999, the installments for health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations must be based on an amount equal to one percent of premiums described under paragraph (b). Health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations that have met the cost containment goals established under section 62J.04 in the individual and small employer market for calendar year 1996 are exempt from payment of the tax imposed under this section for premiums paid after March 30, 1997, and before April 1, 1998. Health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations that have met the cost containment goals established under section 62J.04 in the individual and small employer market for calendar year 1997 are exempt from payment of the tax imposed under this section for premiums paid after March 30, 1998, and before April 1, 1999. Health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations that have met the cost containment goals established under section 62J.04 in the individual and small employer market for calendar year 1998 are exempt from payment of the tax imposed under this section for premiums paid after March 30, 1999, and before January 1, 2000.

(i) For calendar years after 1999, the commissioner of finance shall determine the balance of the health care access fund on September 1 of each year beginning September 1, 1999. If the commissioner determines that there is no structural deficit for the next fiscal year, no tax shall be imposed under paragraph (d) for the following calendar year. If the commissioner determines that there will be a structural deficit in the fund for the following fiscal year, then the commissioner, in consultation with the commissioner of revenue, shall determine the amount needed to eliminate the structural deficit and a tax shall be imposed under paragraph (d) for the following calendar year. The commissioner shall determine the rate of the tax as either one-quarter of one percent, one-half of one percent, three-quarters of one percent, or one percent of premiums described in paragraph (b), whichever is the lowest of those rates that the commissioner determines will produce sufficient revenue to eliminate the projected structural deficit. The commissioner of finance shall publish in the State Register by October 1 of each year the amount of tax to be imposed for the following calendar year.

(j) In approving the premium rates as required in sections 62L.08, subdivision 8, and 62A.65, subdivision 3, the commissioners of health and commerce shall ensure that any exemption from the tax as described in paragraphs (h) and (i) is reflected in the premium rate.

Sec. 2. [SPECIAL PREMIUM TAX PAYMENT.]

Health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations that have met the cost containment goals established in Minnesota Statutes, section 62J.04, in the individual and small employer market for calendar year 1996 shall pay a special, one-time 1999 premium tax payment. The tax payment must be based on an amount equal to one percent of gross premiums less return premiums on all direct business received by the insurer in this state, or by its agents for it, in cash or otherwise after March 30, 1997, and before January 1, 1998. Payment of the tax under this section is due January 2, 1999. Provisions relating to the payment, assessment, and collection of the tax assessed under Minnesota Statutes, section 60A.15, shall apply to the special tax payment assessed under this section.

Page 207, after line 27, insert:

"Sec. 5. Minnesota Statutes 1997 Supplement, section 295.52, subdivision 4, is amended to read:

Subd. 4. [USE TAX; PRESCRIPTION DRUGS.] (a) A person that receives prescription drugs for resale or use in Minnesota, other than from a wholesale drug distributor that paid the tax under subdivision 3, is subject to a tax equal to the price paid to the wholesale drug distributor multiplied by the tax percentage specified in this section. Liability for the tax is incurred when prescription drugs are received or delivered in Minnesota by the person.

(b) A person that receives prescription drugs for use in Minnesota from a nonresident pharmacy required to be registered under section 151.19 is subject to a tax equal to the price paid by the nonresident pharmacy to the wholesale drug distributor or the price received by the nonresident pharmacy, whichever is lower, multiplied by the tax percentage specified in this section. Liability for the tax is incurred when prescription drugs are received in Minnesota by the person.

Sec. 6. Minnesota Statutes 1996, section 295.52, subdivision 4a, is amended to read:

Subd. 4a. [TAX COLLECTION.] A wholesale drug distributor with nexus in Minnesota, who is not subject to tax under subdivision 3, on all or a particular transaction or a nonresident pharmacy with nexus in Minnesota, is required to collect the tax imposed under subdivision 4, from the purchaser of the drugs and give the purchaser a receipt for the tax paid. The tax collected shall be remitted to the commissioner in the manner prescribed by section 295.55, subdivision 3."

Page 210, line 12, delete "1 and 2" and insert "9 and 10"

Page 210, after line 12, insert:

"Sec. 12. Laws 1997, chapter 105, section 3, as amended by Laws 1997, Second Special Session chapter 2, section 23, is amended to read:

Sec. 23. Laws 1997, chapter 105, section 3, is amended to read:

Sec. 3. [TEMPORARY WAIVER OF FEES, ASSESSMENTS, OR TAXES.]

Subdivision 1. [FEES.] Notwithstanding any law to the contrary, for fiscal years 1997 and 1998, an agency, with the approval of the governor, may waive fees that would otherwise be charged for agency services. The waiver of fees must be confined to geographic areas affected by flooding within counties included in a federal disaster declaration and to the minimum periods of times necessary to deal with the emergency situation. The agency must promptly report the reasons for and the impact of any suspended fees to the chairs of the legislative committees that oversee the policy and budgetary affairs of the agency. This subdivision expires February 1, 1998.

Subd. 2. [SOLID WASTE GENERATOR ASSESSMENTS AND SOLID WASTE MANAGEMENT TAXES.] Notwithstanding any law to the contrary, the waiver authority provided in subdivision 1 is also extended to the commissioner of revenue in relation to the solid waste generator assessment under Minnesota Statutes, section 116.07, subdivision 10, and the solid waste management taxes under Laws 1997, chapter 231, article 13, for construction debris generated from repair and demolition activities in the area designated under Presidential

Declaration of Major Disaster, DR-1175, and disposed of in a waste management facility designated by the commissioner of the pollution control agency. The commissioner of revenue's authority under this subdivision to waive the assessment and tax expires for waste transported to the designated facilities after ~~December 31, 1997~~ June 30, 1998, including waste transported to a landfill that is limited by permit exclusively to the disposal of flood debris. The waiver authority granted to the commissioner of revenue is retroactive to April 1, 1997."

Page 210, after line 17, insert:

"Section 12 is effective January 1, 1998."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Mr. Belanger moved to amend S.F. No. 2985 as follows:

Pages 2 to 25, delete article 1 and insert:

"ARTICLE 1  
PROPERTY TAX REFORM

Section 1. Minnesota Statutes 1997 Supplement, section 273.112, subdivision 3, is amended to read:

Subd. 3. Real estate shall be entitled to valuation and tax deferral under this section only if it is:

(a) actively and exclusively devoted to golf, skiing, ~~lawn bowling, croquet,~~ or archery or firearms range recreational use or other recreational or social uses carried on at the establishment;

(b) five acres in size or more, except in the case of a ~~lawn bowling or croquet green~~ or an archery or firearms range or an establishment actively and exclusively devoted to indoor fitness, health, social, recreational, and related uses in which the establishment is owned and operated by a not-for-profit corporation;

(c)(1) operated by private individuals ~~or, in the case of a lawn bowling or croquet green, by private individuals or corporations,~~ and open to the public; or

(2) operated by firms or corporations for the benefit of employees or guests; or

(3) operated by private clubs having a membership of 50 or more or open to the public, provided that the club does not discriminate in membership requirements or selection on the basis of sex or marital status; and

(d) made available for use without discrimination on the basis of sex during the time when the facility is open to use by the public or by members, except that use for golf may be restricted on the basis of sex no more frequently than one, or part of one, weekend each calendar month for each sex and no more than two, or part of two, weekdays each week for each sex.

If a golf club membership allows use of golf course facilities by more than one adult per membership, the use must be equally available to all adults entitled to use of the golf course under the membership, except that use may be restricted on the basis of sex as permitted in this section. Memberships that permit play during restricted times may be allowed only if the restricted times apply to all adults using the membership. A golf club may not offer a membership or golfing privileges to a spouse of a member that provides greater or less access to the golf course than is provided to that person's spouse under the same or a separate membership in that club, except that the terms of a membership may provide that one spouse may have no right to use the golf course at any time while the other spouse may have either limited or unlimited access to the golf course.

A golf club may have or create an individual membership category which entitles a member for

a reduced rate to play during restricted hours as established by the club. The club must have on record a written request by the member for such membership.

A golf club that has food or beverage facilities or services must allow equal access to those facilities and services for both men and women members in all membership categories at all times. Nothing in this paragraph shall be construed to require service or access to facilities to persons under the age of 21 years or require any act that would violate law or ordinance regarding sale, consumption, or regulation of alcoholic beverages.

For purposes of this subdivision and subdivision 7a, discrimination means a pattern or course of conduct and not linked to an isolated incident.

Sec. 2. Minnesota Statutes 1996, section 273.112, subdivision 7a, is amended to read:

Subd. 7a. Notwithstanding subdivision 7, when real property ceases to qualify under subdivision 3 because of failure to comply with prohibitions against discrimination on the basis of sex, or because of the changes made by this article, payment of additional taxes imposed under subdivision 7 is not required.

Sec. 3. Minnesota Statutes 1997 Supplement, section 273.127, subdivision 3, is amended to read:

Subd. 3. [CLASS 4C PROPERTIES.] For the market value of properties that meet the criteria of subdivision 2, paragraph (a), and which no longer qualify as a result of the eligibility criteria specified in section 273.126, a class rate of 2.4 percent applies for taxes payable in 1999 and a class rate of ~~2.6~~ 2.5 percent applies for taxes payable in 2000.

Sec. 4. Minnesota Statutes 1997 Supplement, section 273.13, subdivision 22, is amended to read:

Subd. 22. [CLASS 1.] (a) Except as provided in subdivision 23, real estate which is residential and used for homestead purposes is class 1. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

~~For taxes payable in 1998 and thereafter,~~ The first \$75,000 of market value of class 1a property has a net class rate of one percent of its market value; and the market value of class 1a property that exceeds \$75,000 has a class rate of ~~1.85~~ 1.7 percent of its market value for taxes payable in 1999 and thereafter.

(b) Class 1b property includes homestead real estate or homestead manufactured homes used for the purposes of a homestead by

(1) any blind person, or the blind person and the blind person's spouse; or

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

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

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

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

(3) any person who:

(i) is permanently and totally disabled and

(ii) receives 90 percent or more of total income from

- (A) aid from any state as a result of that disability; or
  - (B) supplemental security income for the disabled; or
  - (C) workers' compensation based on a finding of total and permanent disability; or
  - (D) social security disability, including the amount of a disability insurance benefit which is converted to an old age insurance benefit and any subsequent cost of living increases; or
  - (E) aid under the federal Railroad Retirement Act of 1937, United States Code Annotated, title 45, section 228b(a)5; or
  - (F) a pension from any local government retirement fund located in the state of Minnesota as a result of that disability; or
  - (G) pension, annuity, or other income paid as a result of that disability from a private pension or disability plan, including employer, employee, union, and insurance plans and
- (iii) has household income as defined in section 290A.03, subdivision 5, of \$50,000 or less; or
  - (4) any person who is permanently and totally disabled and whose household income as defined in section 290A.03, subdivision 5, is 275 percent or less of the federal poverty level.

Property is classified and assessed under clause (4) only if the government agency or income-providing source certifies, upon the request of the homestead occupant, that the homestead occupant satisfies the disability requirements of this paragraph.

Property is classified and assessed pursuant to clause (1) only if the commissioner of economic security certifies to the assessor that the homestead occupant satisfies the requirements of this paragraph.

Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings the person an income. The first \$32,000 market value of class 1b property has a net class rate of .45 percent of its market value. The remaining market value of class 1b property has a net class rate using the rates for class 1 or class 2a property, whichever is appropriate, of similar market value.

(c) Class 1c property is commercial use real property that abuts a lakeshore line and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner, which includes a dwelling occupied as a homestead by a shareholder of a corporation that owns the resort or a partner in a partnership that owns the resort, even if the title to the homestead is held by the corporation or partnership. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property, excluding the portion used exclusively as a homestead, is used for residential occupancy and a fee is charged for residential occupancy. In order for a property to be classified as class 1c, at least 40 percent of the annual gross lodging receipts related to the property must be from business conducted between Memorial Day weekend and Labor Day weekend, and at least 60 percent of all bookings by lodging guests during the year must be for periods of at least two consecutive nights. Class 1c property has a class rate of one percent of total market value with the following limitation: the area of the property must not exceed 100 feet of lakeshore footage for each cabin or campsite located on the property up to a total of 800 feet and 500 feet in depth, measured away from the lakeshore.

(d) Class 1d property includes structures that meet all of the following criteria:

(1) the structure is located on property that is classified as agricultural property under section 273.13, subdivision 23;

(2) the structure is occupied exclusively by seasonal farm workers during the time when they work on that farm, and the occupants are not charged rent for the privilege of occupying the

property, provided that use of the structure for storage of farm equipment and produce does not disqualify the property from classification under this paragraph;

(3) the structure meets all applicable health and safety requirements for the appropriate season; and

(4) the structure is not saleable as residential property because it does not comply with local ordinances relating to location in relation to streets or roads.

The market value of class 1d property has the same class rates as class 1a property under paragraph (a).

Sec. 5. Minnesota Statutes 1997 Supplement, section 273.13, subdivision 23, is amended to read:

Subd. 23. [CLASS 2.] (a) Class 2a property is agricultural land including any improvements that is homesteaded. The market value of the house and garage and immediately surrounding one acre of land has the same class rates as class 1a property under subdivision 22. The value of the remaining land including improvements up to \$115,000 has a net class rate of ~~0.4~~ 0.35 percent of market value for taxes payable in 1999 and thereafter. The remaining value of class 2a property over \$115,000 of market value that does not exceed 320 acres has a net class rate of ~~0.9~~ 0.8 percent of market value for taxes payable in 1999 and thereafter. The remaining property over the \$115,000 market value in excess of 320 acres has a class rate of ~~1.4~~ 1.3 percent of market value for taxes payable in 1999 and thereafter.

(b) Class 2b property is (1) real estate, rural in character and used exclusively for growing trees for timber, lumber, and wood and wood products; (2) real estate that is not improved with a structure and is used exclusively for growing trees for timber, lumber, and wood and wood products, if the owner has participated or is participating in a cost-sharing program for afforestation, reforestation, or timber stand improvement on that particular property, administered or coordinated by the commissioner of natural resources; (3) real estate that is nonhomestead agricultural land; or (4) a landing area or public access area of a privately owned public use airport. Class 2b property has a net class rate of ~~1.4~~ 1.3 percent of market value for taxes payable in 1999 and thereafter.

(c) Agricultural land as used in this section means contiguous acreage of ten acres or more, used during the preceding year for agricultural purposes. "Agricultural purposes" as used in this section means the raising or cultivation of agricultural products or enrollment in the Reinvest in Minnesota program under sections 103F.501 to 103F.535 or the federal Conservation Reserve Program as contained in Public Law Number 99-198. Contiguous acreage on the same parcel, or contiguous acreage on an immediately adjacent parcel under the same ownership, may also qualify as agricultural land, but only if it is pasture, timber, waste, unusable wild land, or land included in state or federal farm programs. Agricultural classification for property shall be determined excluding the house, garage, and immediately surrounding one acre of land, and shall not be based upon the market value of any residential structures on the parcel or contiguous parcels under the same ownership.

(d) Real estate, excluding the house, garage, and immediately surrounding one acre of land, of less than ten acres which is exclusively and intensively used for raising or cultivating agricultural products, shall be considered as agricultural land.

Land shall be classified as agricultural even if all or a portion of the agricultural use of that property is the leasing to, or use by another person for agricultural purposes.

Classification under this subdivision is not determinative for qualifying under section 273.111.

The property classification under this section supersedes, for property tax purposes only, any locally administered agricultural policies or land use restrictions that define minimum or maximum farm acreage.

(e) The term "agricultural products" as used in this subdivision includes production for sale of:

(1) livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing animals, horticultural and nursery stock described in sections 18.44 to 18.61, fruit of all kinds, vegetables, forage, grains, bees, and apiary products by the owner;

(2) fish bred for sale and consumption if the fish breeding occurs on land zoned for agricultural use;

(3) the commercial boarding of horses if the boarding is done in conjunction with raising or cultivating agricultural products as defined in clause (1);

(4) property which is owned and operated by nonprofit organizations used for equestrian activities, excluding racing; and

(5) game birds and waterfowl bred and raised for use on a shooting preserve licensed under section 97A.115.

(f) If a parcel used for agricultural purposes is also used for commercial or industrial purposes, including but not limited to:

(1) wholesale and retail sales;

(2) processing of raw agricultural products or other goods;

(3) warehousing or storage of processed goods; and

(4) office facilities for the support of the activities enumerated in clauses (1), (2), and (3), the assessor shall classify the part of the parcel used for agricultural purposes as class 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its use. The grading, sorting, and packaging of raw agricultural products for first sale is considered an agricultural purpose. A greenhouse or other building where horticultural or nursery products are grown that is also used for the conduct of retail sales must be classified as agricultural if it is primarily used for the growing of horticultural or nursery products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of those products. Use of a greenhouse or building only for the display of already grown horticultural or nursery products does not qualify as an agricultural purpose.

The assessor shall determine and list separately on the records the market value of the homestead dwelling and the one acre of land on which that dwelling is located. If any farm buildings or structures are located on this homesteaded acre of land, their market value shall not be included in this separate determination.

(g) To qualify for classification under paragraph (b), clause (4), a privately owned public use airport must be licensed as a public airport under section 360.018. For purposes of paragraph (b), clause (4), "landing area" means that part of a privately owned public use airport properly cleared, regularly maintained, and made available to the public for use by aircraft and includes runways, taxiways, aprons, and sites upon which are situated landing or navigational aids. A landing area also includes land underlying both the primary surface and the approach surfaces that comply with all of the following:

(i) the land is properly cleared and regularly maintained for the primary purposes of the landing, taking off, and taxiing of aircraft; but that portion of the land that contains facilities for servicing, repair, or maintenance of aircraft is not included as a landing area;

(ii) the land is part of the airport property; and

(iii) the land is not used for commercial or residential purposes.

The land contained in a landing area under paragraph (b), clause (4), must be described and certified by the commissioner of transportation. The certification is effective until it is modified, or until the airport or landing area no longer meets the requirements of paragraph (b), clause (4). For purposes of paragraph (b), clause (4), "public access area" means property used as an aircraft

parking ramp, apron, or storage hangar, or an arrival and departure building in connection with the airport.

Sec. 6. Minnesota Statutes 1997 Supplement, section 273.13, subdivision 24, is amended to read:

Subd. 24. [CLASS 3.] (a) Commercial and industrial property and utility real and personal property, except class 5 property as identified in subdivision 31, clause (1), is class 3a. Each parcel has a class rate of ~~2.7~~ 2.5 percent for taxes payable in 1999 and thereafter of the first tier of market value, and ~~4.0~~ 3.5 percent for taxes payable in 1999 and thereafter of the remaining market value, except that in the case of contiguous parcels of commercial and industrial property owned by the same person or entity, only the value equal to the first-tier value of the contiguous parcels qualifies for the reduced class rate. For the purposes of this subdivision, the first tier means the first \$150,000 of market value. In the case of utility property owned by one person or entity, only one parcel in each county has a reduced class rate on the first tier of market value.

For purposes of this paragraph, parcels are considered to be contiguous even if they are separated from each other by a road, street, vacant lot, waterway, or other similar intervening type of property.

(b) Employment property defined in section 469.166, during the period provided in section 469.170, shall constitute class 3b and has a class rate of 2.3 percent of the first \$50,000 of market value and ~~3.6~~ 3.0 percent for taxes payable in 1999 and thereafter of the remainder, except that for employment property located in a border city enterprise zone designated pursuant to section 469.168, subdivision 4, paragraph (c), the class rate of the first tier of market value and the class rate of the remainder is determined under paragraph (a), unless the governing body of the city designated as an enterprise zone determines that a specific parcel shall be assessed pursuant to the first clause of this sentence. The governing body may provide for assessment under the first clause of the preceding sentence only for property which is located in an area which has been designated by the governing body for the receipt of tax reductions authorized by section 469.171, subdivision 1.

(c) Structures which are (i) located on property classified as class 3a, (ii) constructed under an initial building permit issued after January 2, 1996, (iii) located in a transit zone as defined under section 473.3915, subdivision 3, (iv) located within the boundaries of a school district, and (v) not primarily used for retail or transient lodging purposes, shall have a class rate equal to 85 percent of the class rate of the second tier of the commercial property rate under paragraph (a) on any portion of the market value that does not qualify for the first tier class rate under paragraph (a). As used in item (v), a structure is primarily used for retail or transient lodging purposes if over 50 percent of its square footage is used for those purposes. ~~The four percent rate~~ A class rate equal to 85 percent of the class rate of the second tier of the commercial property rate under paragraph (a) shall also apply to improvements to existing structures that meet the requirements of items (i) to (v) if the improvements are constructed under an initial building permit issued after January 2, 1996, even if the remainder of the structure was constructed prior to January 2, 1996. For the purposes of this paragraph, a structure shall be considered to be located in a transit zone if any portion of the structure lies within the zone. If any property once eligible for treatment under this paragraph ceases to remain eligible due to revisions in transit zone boundaries, the property shall continue to receive treatment under this paragraph for a period of three years.

Sec. 7. Minnesota Statutes 1997 Supplement, section 273.13, subdivision 25, as amended by Laws 1997, Third Special Session chapter 3, section 28, is amended to read:

Subd. 25. [CLASS 4.] (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. Class 4a property in a city with a population of 5,000 or less, that is (1) located outside of the metropolitan area, as defined in section 473.121, subdivision 2, or outside any county contiguous to the metropolitan area, and (2) whose city boundary is at least 15 miles from the boundary of any city

with a population greater than 5,000 has a class rate of ~~2.3~~ 2.15 percent of market value for taxes payable in 1999 and thereafter. All other class 4a property has a class rate of ~~2.9~~ 2.5 percent of market value for taxes payable in 1999 and thereafter. For purposes of this paragraph, population has the same meaning given in section 477A.011, subdivision 3.

(b) Class 4b includes:

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

(2) manufactured homes not classified under any other provision;

(3) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b) containing two or three units;

(4) unimproved property that is classified residential as determined under section 273.13, subdivision 33.

Class 4b property has a class rate of ~~2.1~~ 1.7 percent of market value.

(c) Class 4bb includes:

(1) nonhomestead residential real estate containing one unit, other than seasonal residential, and recreational; and

(2) a single family dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b).

Class 4bb has a class rate of ~~1.9~~ 1.25 percent for taxes payable in 1999 and thereafter on the first \$75,000 of market value and a class rate of ~~2.1~~ 1.7 percent for taxes payable in 1999 and thereafter of its market value that exceeds \$75,000.

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

(d) Class 4c property includes:

(1) except as provided in subdivision 22, paragraph (c), real property devoted to temporary and seasonal residential occupancy for recreation purposes, including real property devoted to temporary and seasonal residential occupancy for recreation purposes and not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property is used for residential occupancy, and a fee is charged for residential occupancy. In order for a property to be classified as class 4c, seasonal recreational residential for commercial purposes, at least 40 percent of the annual gross lodging receipts related to the property must be from business conducted between Memorial Day weekend and Labor Day weekend and at least 60 percent of all bookings by lodging guests during the year must be for periods of at least two consecutive nights. Class 4c also includes commercial use real property used exclusively for recreational purposes in conjunction with class 4c property devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 250 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. Class 4c property classified in this clause also includes the remainder of class 1c resorts. Owners of real property devoted to temporary and seasonal residential occupancy for recreation purposes and all or a portion of which was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class ~~4e~~ 1b or 4c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located will be designated class 1c or 4c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located will be designated as class 3a. The owner

of property desiring designation as class 1c or 4c property must provide guest registers or other records demonstrating that the units for which class 1c or 4c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, and (4) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes shall not qualify for class 1c or 4c;

(2) qualified property used as a golf course if:

(i) any portion of the property is located within a county that has a population of less than 50,000, or within a county containing a golf course owned by a municipality, the county, or a special taxing district;

(ii) it is open to the public on a daily fee basis. It may charge membership fees or dues, but a membership fee may not be required in order to use the property for golfing, and its green fees for golfing must be comparable to green fees typically charged by municipal courses; and

(iii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).

A structure used as a clubhouse, restaurant, or place of refreshment in conjunction with the golf course is classified as class 3a property.

(3) real property up to a maximum of one acre of land owned by a nonprofit community service oriented organization; provided that the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment and the property is not used for residential purposes on either a temporary or permanent basis. For purposes of this clause, a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (10), or (19) of the Internal Revenue Code of 1986, as amended through December 31, 1990. For purposes of this clause, "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises. Any portion of the property which is used for revenue-producing activities for more than six days in the calendar year preceding the year of assessment shall be assessed as class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity;

(4) post-secondary student housing of not more than one acre of land that is owned by a nonprofit corporation organized under chapter 317A and is used exclusively by a student cooperative, sorority, or fraternity for on-campus housing or housing located within two miles of the border of a college campus; and

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

Class 4c property has a class rate of 2.1 percent on the first \$150,000 of market value and the market value of class 4c property that exceeds \$150,000 has a class rate of 2.3 percent for taxes payable in 1999 and thereafter, except that (i) for each parcel of seasonal residential recreational property not used for commercial purposes the first \$75,000 of market value has a class rate of 1.4 1.3 percent for taxes payable in 1999 and thereafter, and the market value that exceeds \$75,000 has a class rate of 2.5 2.3 percent for taxes payable in 1999 and thereafter, and (ii) manufactured home parks assessed under clause (5) have a class rate of two percent.

(e) Class 4d property is qualifying low-income rental housing certified to the assessor by the housing finance agency under sections 273.126 and 462A.071. Class 4d includes land in proportion to the total market value of the building that is qualifying low-income rental housing. For all properties qualifying as class 4d, the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents.

Class 4d property has a class rate of one percent of market value.

~~(f) Class 4e property consists of the residential portion of any structure located within a city that was converted from nonresidential use to residential use, provided that:~~

- ~~(1) the structure had formerly been used as a warehouse;~~
- ~~(2) the structure was originally constructed prior to 1940;~~
- ~~(3) the conversion was done after December 31, 1995, but before January 1, 2003; and~~
- ~~(4) the conversion involved an investment of at least \$25,000 per residential unit.~~

~~Class 4e property has a class rate of 2.3 percent, provided that a structure is eligible for class 4e classification only in the 12 assessment years immediately following the conversion.~~

Sec. 8. Minnesota Statutes 1997 Supplement, section 273.13, subdivision 31, is amended to read:

Subd. 31. [CLASS 5.] Class 5 property includes:

- (1) tools, implements, and machinery of an electric generating, transmission, or distribution system or a pipeline system transporting or distributing water, gas, crude oil, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings, which are fixtures;
- (2) unmined iron ore and low-grade iron-bearing formations as defined in section 273.14; and
- (3) all other property not otherwise classified.

Class 5 property has a class rate of 4.0 3.5 percent of market value for taxes payable in 1998 1999 and thereafter.

Sec. 9. Minnesota Statutes 1997 Supplement, section 273.13, subdivision 32, is amended to read:

Subd. 32. [TARGET CLASS RATES.] (a) All classes of property with a class rate of 4 four percent for taxes payable in 1998 have a target class rate of 3.5 three percent. Class 4a shall have a target class rate of 2.5 two percent. Class 4bb has a target class rate of 1.25 one percent of the first \$75,000 of market value and a target class rate of 1.85 1.5 percent of the market value in excess of \$75,000.

(b) By the fourth Tuesday in January of 1998 and at the time of submission of the biennial budget under section 16A.11 in each biennium thereafter, the governor must recommend the class rate schedule for all properties for taxes payable in 1999 for the schedule submitted in 1998 and for the following two calendar years in each biennium thereafter. The class rate schedule must include reductions in the class rates of the classes designated in paragraph (a) until such time as the target class rates are reached unless the governor recommends no change in the class rate schedule for all properties. As part of the recommendation, the governor shall recommend appropriation of monies from the property tax reform account under section 16A.1521 and include within the budget additional funding for the education homestead credit, the property tax refund under chapter 290A and education aids under chapters 124 and 124A to the extent those aids will be used to reduce property tax levies. The governor may propose alternative programs to prevent the taxes of classes other than those designated in paragraph (a) from increasing as a result of the governor's recommended class rate schedule.

Sec. 10. Minnesota Statutes 1997 Supplement, section 273.1382, subdivision 1, is amended to read:

Subdivision 1. [EDUCATION HOMESTEAD CREDIT.] Each year, beginning with property taxes payable in 1998, the respective county auditors shall determine the initial tax rate for each school district for the general education levy certified under section 124A.23, subdivision 2 or 3. That rate plus the school district's education homestead credit tax rate adjustment under section

275.08, subdivision 1e, shall be the general education homestead credit local tax rate for the district. The auditor shall then determine a general education homestead credit for each homestead within the county equal to ~~32~~ 66 percent for taxes payable in 1999 and thereafter of the general education homestead credit local tax rate times the net tax capacity of the homestead for the taxes payable year. The amount of general education homestead credit for a homestead may not exceed ~~\$225~~ \$350 for taxes payable in 1999 and thereafter. In the case of an agricultural homestead, only the net tax capacity of the house, garage, and surrounding one acre of land shall be used in determining the property's education homestead credit.

Sec. 11. Minnesota Statutes 1996, section 273.1398, subdivision 2, is amended to read:

Subd. 2. [HOMESTEAD AND AGRICULTURAL CREDIT AID.] Homestead and agricultural credit aid for each unique taxing jurisdiction equals the product of (1) the homestead and agricultural credit aid base, and (2) the growth adjustment factor, plus the net tax capacity adjustment and the fiscal disparity adjustment. Beginning with homestead and agricultural credit aid payable in 1999, each county that receives an amount in calendar year 1999 under section 477A.0122 as a result of the appropriation in section 477A.03, subdivision 2, paragraph (c), clause (3), shall have its homestead and agricultural credit aid permanently reduced by an equal amount.

Sec. 12. [275.071] [MARKET VALUE TAX.]

That portion of any county's, city's, town's, or special taxing district's levy which exceeds the jurisdiction's levy for taxes payable in 1999 shall be levied against the referendum market value of the jurisdiction, as defined in section 124A.02, subdivision 3b. When the jurisdiction reports its levy to the county auditor under section 275.07, it must separately identify the portion to be levied against net tax capacity and the portion to be levied against market value.

Sec. 13. Minnesota Statutes 1996, section 477A.0122, subdivision 6, is amended to read:

Subd. 6. [REPORT.] On or before March 15 of the year following the year in which the distributions under this section are received, each county shall file with the commissioner of revenue and commissioner of human services a report on prior year expenditures for out-of-home placement and family preservation, including expenditures under this section. For the human services programs specified in this section, the commissioner of revenue and commissioner of human services, in consultation with representatives of county governments, shall make a recommendation to the 1999 legislature as to which current reporting requirements imposed on county governments, if any, may be eliminated, replaced, or consolidated on the report established by this section. For aid payable in calendar year 2000 and thereafter, each county shall provide information on the amount of state aid, local property tax revenue, and federal aid expended by that county on the programs specified in this section using the consolidated financial report recommended by the commissioner of revenue and commissioner of human services under this subdivision.

Sec. 14. Minnesota Statutes 1996, section 477A.03, subdivision 2, is amended to read:

Subd. 2. [ANNUAL APPROPRIATION.] (a) A sum sufficient to discharge the duties imposed by sections 477A.011 to 477A.014 is annually appropriated from the general fund to the commissioner of revenue. For aids payable in 1996 and thereafter, the total aids paid under sections section 477A.013, subdivision 9, and 477A.0122 are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3. Aid payments to counties under section 477A.0121 are limited to \$20,265,000 in 1996. Aid payments to counties under section 477A.0121 are limited to \$27,571,625 in 1997.

(b) For aid payable in 1998 and thereafter, the total aids paid under section 477A.0121 are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3.

(c) For aid payable in 1999, the total aid payments under section 477A.0122 are the sum of:

(1) the amounts certified to be paid in the previous year, adjusted for inflation as provided in subdivision 3; plus

(2) \$20,000,000; plus

(3) \$10,000,000.

For aid payable in 2000 and thereafter, the total aid payments under section 477A.0122 are the amounts certified to be paid in the previous year, adjusted for inflation as provided in subdivision 3.

Sec. 15. [APPROPRIATIONS.]

(a) [SHIFT RECOGNITION APPROPRIATION.] In addition to any amounts appropriated by other law, \$3,900,000 is appropriated to the commissioner of children, families, and learning in fiscal year 1999 to fund early recognition of education aid.

(b) [EDUCATION LEVY REDUCTION APPROPRIATION.] In addition to any amount appropriated by other law, \$55,000,000 is appropriated to the commissioner of children, families, and learning in fiscal year 2000 and thereafter to fund a reduction in the statewide general education property tax levy.

Sec. 16. [INSTRUCTION TO REVISOR.]

In the next edition of the Minnesota Statutes, the revisor of statutes shall correct references to class 1b, class 1c, and class 4e properties so that the statutes properly reflect the changes made to Minnesota Statutes, section 273.13, by this article.

Sec. 17. [REPEALER.]

Minnesota Statutes 1996, sections 273.11, subdivisions 6a and 15; 273.124, subdivision 17; and 273.1315, are repealed.

Sec. 18. [EFFECTIVE DATE.]

Sections 1 to 10 and 17 are effective for taxes payable in 1999 and thereafter. Sections 11 and 14 are effective for aid payable in 1999 and thereafter. Section 12 is effective for taxes payable in 2000 and thereafter. Section 13 is effective the day following final enactment."

Page 78, line 2, delete "and"

Page 78, line 10, before the period, insert "and

(14) beginning with the 1998 taxable year, an amount equal to \$375 for each of the taxpayer's personal and dependent exemptions, as defined in sections 151 and 152 of the Internal Revenue Code, and allowed on the taxpayer's federal income tax return for the tax year, provided that the amount of each subtraction is reduced according to the phaseout formula in section 151(d)(3). Beginning with the 1999 taxable year, the amount of the subtraction for each personal and dependent exemption must be adjusted for inflation by the commissioner of revenue in the manner provided in section 290.06, subdivision 2d."

Page 104, after line 23, insert:

"Sec. 25. Laws 1997, chapter 231, article 5, section 20, is amended to read:

Sec. 20. [EFFECTIVE DATE.]

Sections 1, 5, 6, 11, 16, and 18 are effective the day following final enactment.

Sections 2 to 4, and 9 are effective for taxable years beginning after December 31, 1996.

Section 7 is effective for taxable years beginning after December 31, ~~1998~~ 1997.

Section 8 is effective for tax credit certificates issued after December 31, 1996, and used in taxable years beginning after December 31, 1996.

Section 10 is effective January 1, 1998.

Sections 12, 13, 15, and 19 are effective beginning for property tax refunds based on rent paid after December 31, 1996.

Section 17 is effective April 16, 1997."

Page 125, after line 20, insert:

"Section 1. Minnesota Statutes 1997 Supplement, section 289A.56, subdivision 4, is amended to read:

Subd. 4. [~~CAPITAL—EQUIPMENT—REFUNDS; REFUNDS TO PURCHASERS.~~] Notwithstanding subdivision 3, ~~for refunds payable under section 297A.15, subdivision 5, interest is computed from the date the refund claim is filed with the commissioner.~~ for refunds payable under section 289A.50, subdivision 2a, interest is computed from the 20th day of the month following the month of the invoice date for the purchase which is the subject of the refund."

Page 133, after line 5, insert:

"Sec. 14. Minnesota Statutes 1996, section 297A.2572, is amended to read:

297A.2572 [AGRICULTURE PROCESSING FACILITY MATERIALS; EXEMPTION.]

Purchases of construction materials and supplies are exempt from the sales and use taxes imposed under this chapter, regardless of whether purchased by the owner or a contractor, subcontractor, or builder, if the materials and supplies are used or consumed in constructing an agriculture processing facility as defined in section 469.1811 in which the total capital investment in the processing facility is expected to exceed \$100,000,000. The tax shall be imposed and collected as if the rate under section 297A.02, subdivision 1, applied, and then refunded in the manner provided in Minnesota Statutes 1996, section 297A.15, subdivision 5.

Sec. 15. Minnesota Statutes 1996, section 297A.2573, is amended to read:

297A.2573 [MINERAL PRODUCTION FACILITIES; EXEMPTION.]

Materials, equipment, and supplies used or consumed in constructing, or incorporated into the construction of exempted facilities as defined in this section are exempt from the taxes imposed under this chapter and from any sales and use tax imposed by a local unit of government, notwithstanding any ordinance or city charter provision.

As used in this section, "exempted facilities" means:

(1) a value added iron products plant, which may be either a new plant or a facility incorporated into an existing plant that produces iron upgraded to a minimum of 75 percent iron content or any iron alloy with a total minimum metallic content of 90 percent;

(2) a facility used for the manufacture of fluxed taconite pellets as defined in section 298.24;

(3) a new capital project that has a total cost of over \$40,000,000 that is directly related to production, cost, or quality at an existing taconite facility that does not qualify under clause (1) or (2); and

(4) a new mine or minerals processing plant for any mineral subject to the net proceeds tax imposed under section 298.015.

The tax shall be imposed and collected as if the rate under section 297A.02, subdivision 1, applied, and then refunded in the manner provided in Minnesota Statutes 1996, section 297A.15, subdivision 5."

Page 135, line 29, strike "June"

Page 135, line 30, strike "30" and insert "December 31"

Page 136, line 12, strike "Sections" and insert "Section" and strike "and 19 are" and insert "is"

Page 136, after line 13, insert:

"Section 19 is effective for purchases and sales after June 30, 1998."

Page 155, after line 22, insert:

"Sec. 35. [REPEALER.]

Minnesota Statutes 1996, section 297A.15, subdivision 5, is repealed."

Page 155, after line 32, insert:

"Sections 1, 14, 15, and 35 are effective for sales and purchases occurring after June 30, 1998."

## ARTICLE 7

### MOTOR VEHICLE REGISTRATION TAX

Section 1. Minnesota Statutes 1996, section 161.081, is amended by adding a subdivision to read:

Subd. 3. [TRANSFER TO FUND.] The commissioner of finance shall include a minimum transfer of \$80,000,000 in each fiscal year from the general fund to the highway user tax distribution fund in the biennial budget for fiscal years 2000 and 2001 and in each biennial budget thereafter, in order to compensate the fund for the reduction in revenues by reason of section 2.

Sec. 2. Minnesota Statutes 1996, section 168.013, subdivision 1a, is amended to read:

Subd. 1a. [PASSENGER AUTOMOBILES; HEARSEs.] (a) On passenger automobiles as defined in section 168.011, subdivision 7, and hearses, except as otherwise provided, the tax shall be \$10 plus an additional tax equal to ~~4.25~~ .95 percent of the base value, subject to the provisions of section 3.

(b) Subject to the classification provisions herein, "base value" means the manufacturer's suggested retail price of the vehicle including destination charge using list price information published by the manufacturer or determined by the registrar if no suggested retail price exists, and shall not include the cost of each accessory or item of optional equipment separately added to the vehicle and the suggested retail price.

(c) If the manufacturer's list price information contains a single vehicle identification number followed by various descriptions and suggested retail prices, the registrar shall select from those listings only the lowest price for determining base value.

(d) If unable to determine the base value because the vehicle is specially constructed, or for any other reason, the registrar may establish such value upon the cost price to the purchaser or owner as evidenced by a certificate of cost but not including Minnesota sales or use tax or any local sales or other local tax.

(e) The registrar shall classify every vehicle in its proper base value class as follows:

| FROM | TO       |
|------|----------|
| \$ 0 | \$199.99 |
| 200  | 399.99   |

and thereafter a series of classes successively set in brackets having a spread of \$200 consisting of such number of classes as will permit classification of all vehicles.

(f) The base value for purposes of this section shall be the middle point between the extremes of its class.

(g) The registrar shall establish the base value, when new, of every passenger automobile and hearse registered prior to the effective date of Extra Session Laws 1971, chapter 31, using list price information published by the manufacturer or any nationally recognized firm or association compiling such data for the automotive industry. If unable to ascertain the base value of any

registered vehicle in the foregoing manner, the registrar may use any other available source or method. The tax on all previously registered vehicles shall be computed upon the base value thus determined taking into account the depreciation provisions of paragraph (h).

(h) ~~Except as provided in paragraph (i),~~ The annual additional tax computed upon the base value as provided herein, during the first and second years of vehicle life shall be computed upon 100 percent of the base value; for the third and fourth years, 90 percent of such value; for the fifth and sixth years, 75 percent of such value; for the seventh year, 60 percent of such value; for the eighth year, 40 percent of such value; for the ninth year, 30 percent of such value; for the tenth year, ten percent of such value; for the 11th and each succeeding year, the sum of \$25.

In no event shall the annual additional tax be less than \$25.

~~(i) The annual additional tax under paragraph (h) on a motor vehicle on which the first annual tax was paid before January 1, 1990, must not exceed the tax that was paid on that vehicle the year before.~~

Sec. 3. [APPROPRIATION.]

\$40,000,000 is appropriated annually from the general fund to the commissioner of finance for transfer to the highway user tax distribution fund. In any year in which the appropriation provided in this section is not made, the rate of the tax in section 2 shall be 1.25 percent.

Sec. 4. [EFFECTIVE DATE.]

Section 2 is effective January 1, 1999."

Page 156, delete section 2

Pages 156 and 157, delete section 4

Re-number the articles and sections in sequence and correct the internal references

Amend the title accordingly

Mr. Belanger then moved to amend the Belanger amendment to S.F. No. 2985 as follows:

Page 26, delete lines 7 and 8 and insert:

"Pages 155 and 156, delete section 1

Page 156, delete section 3"

The motion prevailed. So the amendment to the amendment was adopted.

The question recurred on the Belanger amendment, as amended.

Mr. Belanger moved that those not voting be excused from voting. The motion prevailed.

The roll was called, and there were yeas 22 and nays 38, as follows:

Those who voted in the affirmative were:

|              |               |          |           |          |
|--------------|---------------|----------|-----------|----------|
| Belanger     | Johnson, D.E. | Lesewski | Ourada    | Scheevel |
| Day          | Kiscaden      | Limmer   | Pariseau  | Stevens  |
| Dille        | Kleis         | Neuville | Robertson |          |
| Fischbach    | Knutson       | Oliver   | Robling   |          |
| Frederickson | Larson        | Olson    | Runbeck   |          |

Those who voted in the negative were:

|          |           |               |             |           |
|----------|-----------|---------------|-------------|-----------|
| Anderson | Flynn     | Johnson, D.H. | Kelly, R.C. | Marty     |
| Beckman  | Foley     | Johnson, D.J. | Krentz      | Metzen    |
| Berglin  | Higgins   | Johnson, J.B. | Langseth    | Moe, R.D. |
| Betzold  | Hottinger | Junge         | Lessard     | Morse     |
| Cohen    | Janezich  | Kelley, S.P.  | Lourey      | Murphy    |

Pappas  
Piper  
Pogemiller

Price  
Ranum  
Sams

Samuelson  
Scheid  
Spear

Stumpf  
Ten Eyck  
Vickerman

Wiger

The motion did not prevail. So the Belanger amendment, as amended, was not adopted.

Ms. Runbeck moved to amend S.F. No. 2985 as follows:

Page 80, delete line 36

Page 81, delete lines 1 and 2 and insert:

"(1) On the first ~~\$19,910,6~~ \$40,000, 5.5 percent;

(2) On all over ~~\$19,910~~ \$40,000, but not over ~~\$79,120, 8~~ \$98,000, 7 percent;

(3) On all over ~~\$79,120~~ \$98,000, 8.5 percent."

Page 81, delete lines 10 to 12 and insert:

"(1) On the first ~~\$13,620,6~~ \$27,370, 5.5 percent;

(2) On all over ~~\$13,620~~ \$27,370, but not over ~~\$44,750, 8~~ \$55,430, 7 percent;

(3) On all over ~~\$44,750~~ \$55,430, 8.5 percent."

Page 81, delete lines 17 to 19 and insert:

"(1) On the first ~~\$16,770,6~~ \$33,632, 5.5 percent;

(2) On all over ~~\$16,770~~ \$33,632, but not over ~~\$67,390, 8~~ \$83,470, 7 percent;

(3) On all over ~~\$67,390~~ \$83,470, 8.5 percent."

Page 82, after line 17, insert:

"Sec. 7. Minnesota Statutes 1996, section 290.06, subdivision 2d, is amended to read:

Subd. 2d. [INFLATION ADJUSTMENT OF BRACKETS.] (a) For taxable years beginning after December 31, ~~1994~~ 1998, the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage determined under paragraph (b). For the purpose of making the adjustment as provided in this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets as they existed for taxable years beginning after December 31, ~~1990~~ 1997, and before January 1, ~~1992~~ 1999. The rate applicable to any rate bracket must not be changed. The dollar amounts setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in \$5, it must be rounded up to the nearest \$10 amount.

(b) The commissioner shall adjust the rate brackets and by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "~~1990~~ 1997" shall be substituted for the word "~~1987~~ 1992." For ~~1994~~ 1998, the commissioner shall then determine the percent change from the 12 months ending on August 31, ~~1990~~ 1997, to the 12 months ending on August 31, ~~1994~~ 1998, and in each subsequent year, from the 12 months ending on August 31, ~~1990~~ 1997, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be subject to the administrative procedure act contained in chapter 14.

No later than December 15 of each year, the commissioner shall announce the specific percentage that will be used to adjust the tax rate brackets."

Page 104, after line 31, insert:

"Sec. 27. [WITHHOLDING AND DECLARATION FOR 1998 TAX YEAR; APPROPRIATION.]

(a) Notwithstanding Minnesota Statutes, section 290.92, subdivision 2a, in taxable years beginning after December 31, 1997, but before January 1, 1999, the commissioner of revenue shall adjust the withholding tables so that the entire amount of the tax reduction for the taxable year is withheld and remitted by employers after June 30, 1998.

(b) For the same period, the commissioner shall require that declarations by individuals, estates, and trusts include the entire amount of the tax reduction for the taxable year for declarations filed after June 30, 1998.

(c) \$...... is appropriated from the general fund to the commissioner of revenue to pay the cost of preparing and distributing the tables and instructions. It is available until expended."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

Ms. Runbeck then moved to amend the Runbeck amendment to S.F. No. 2985 as follows:

Page 2, line 29, delete "\$....." and insert "\$50,000"

The motion prevailed. So the amendment to the amendment was adopted.

The question recurred on the Runbeck amendment, as amended.

The roll was called, and there were yeas 23 and nays 39, as follows:

Those who voted in the affirmative were:

|              |               |          |           |             |
|--------------|---------------|----------|-----------|-------------|
| Belanger     | Johnson, D.E. | Lesewski | Ourada    | Scheevel    |
| Day          | Kiscaden      | Limmer   | Pariseau  | Stevens     |
| Dille        | Kleis         | Neuville | Robertson | Terwilliger |
| Fischbach    | Knutson       | Oliver   | Robling   |             |
| Frederickson | Larson        | Olson    | Runbeck   |             |

Those who voted in the negative were:

|         |               |           |           |           |
|---------|---------------|-----------|-----------|-----------|
| Beckman | Hottinger     | Krentz    | Murphy    | Solon     |
| Berglin | Janezich      | Langseth  | Novak     | Spear     |
| Betzold | Johnson, D.H. | Lessard   | Pappas    | Stumpf    |
| Cohen   | Johnson, D.J. | Lourey    | Piper     | Ten Eyck  |
| Flynn   | Johnson, J.B. | Marty     | Ranum     | Vickerman |
| Foley   | Junge         | Metzen    | Sams      | Wiener    |
| Hanson  | Kelley, S.P.  | Moe, R.D. | Samuelson | Wiger     |
| Higgins | Kelly, R.C.   | Morse     | Scheid    |           |

The motion did not prevail. So the Runbeck amendment, as amended, was not adopted.

Mr. Stevens moved to amend S.F. No. 2985 as follows:

Page 125, after line 20, insert:

"Section 1. Minnesota Statutes 1996, section 297A.02, subdivision 1, is amended to read:

Subdivision 1. [GENERALLY.] Except as otherwise provided in this chapter, there is imposed an excise tax of 6.5 6.0 percent of the gross receipts from sales at retail made by any person in this state."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 23 and nays 38, as follows:

Those who voted in the affirmative were:

|               |          |          |           |             |
|---------------|----------|----------|-----------|-------------|
| Belanger      | Kiscaden | Lesewski | Ourada    | Scheevel    |
| Day           | Kleis    | Limmer   | Pariseau  | Stevens     |
| Dille         | Knutson  | Neuville | Robertson | Terwilliger |
| Fischbach     | Laidig   | Oliver   | Robling   |             |
| Johnson, D.E. | Larson   | Olson    | Runbeck   |             |

Those who voted in the negative were:

|          |               |          |            |           |
|----------|---------------|----------|------------|-----------|
| Anderson | Higgins       | Krentz   | Pappas     | Solon     |
| Beckman  | Hottinger     | Langseth | Piper      | Spear     |
| Berglin  | Johnson, D.H. | Lessard  | Pogemiller | Ten Eyck  |
| Betzold  | Johnson, D.J. | Lourey   | Price      | Vickerman |
| Cohen    | Johnson, J.B. | Marty    | Ranum      | Wiener    |
| Flynn    | Junge         | Metzen   | Sams       | Wiger     |
| Foley    | Kelley, S.P.  | Morse    | Samuelson  |           |
| Hanson   | Kelly, R.C.   | Murphy   | Scheid     |           |

The motion did not prevail. So the amendment was not adopted.

Mr. Neuville moved to amend S.F. No. 2985 as follows:

Page 78, line 2, delete "and"

Page 78, line 10, after "corporation" insert "; and

(14) beginning with the 1998 taxable year, an amount equal to \$900 for each of the taxpayer's personal and dependent exemptions, as defined in sections 151 and 152 of the Internal Revenue Code, and allowed on the taxpayer's federal income tax return for the tax year. Beginning with the 1999 taxable year, the amount of the subtraction for each personal and dependent exemption must be adjusted for inflation by the commissioner of revenue in the manner provided in section 290.06, subdivision 2d"

Mr. Neuville then moved to amend the Neuville amendment to S.F. No. 2985 as follows:

Page 1, line 5, delete "\$900" and insert "\$500"

The motion prevailed. So the amendment was adopted.

The question recurred on the Neuville amendment, as amended.

The roll was called, and there were yeas 26 and nays 33, as follows:

Those who voted in the affirmative were:

|              |               |          |           |             |
|--------------|---------------|----------|-----------|-------------|
| Belanger     | Johnson, D.E. | Lesewski | Pariseau  | Stevens     |
| Day          | Kiscaden      | Limmer   | Robertson | Terwilliger |
| Dille        | Kleis         | Neuville | Robling   |             |
| Fischbach    | Knutson       | Oliver   | Runbeck   |             |
| Frederickson | Laidig        | Olson    | Sams      |             |
| Hanson       | Larson        | Ourada   | Scheevel  |             |

Those who voted in the negative were:

|          |               |          |            |           |
|----------|---------------|----------|------------|-----------|
| Anderson | Higgins       | Langseth | Pogemiller | Stumpf    |
| Beckman  | Hottinger     | Lessard  | Price      | Ten Eyck  |
| Berglin  | Johnson, D.J. | Lourey   | Ranum      | Vickerman |
| Betzold  | Johnson, J.B. | Metzen   | Samuelson  | Wiener    |
| Cohen    | Junge         | Morse    | Scheid     | Wiger     |
| Flynn    | Kelley, S.P.  | Pappas   | Solon      |           |
| Foley    | Krentz        | Piper    | Spear      |           |

The motion did not prevail. So the Neuville amendment, as amended, was not adopted.

Mr. Dille moved to amend S.F. No. 2985 as follows:

Page 145, line 10, after "act" insert "or at a special election"

The motion prevailed. So the amendment was adopted.

Mr. Dille then moved to amend S.F. No. 2985 as follows:

Page 188, after line 26, insert:

"Sec. 21. [MEEKER COUNTY; ECONOMIC DEVELOPMENT AUTHORITY; ESTABLISHMENT AND POWERS.]

Subdivision 1. [ESTABLISHMENT.] The board of county commissioners of Meeker county may establish an economic development authority in the manner provided in Minnesota Statutes, sections 469.090 to 469.1081, and may impose limits on the authority enumerated in Minnesota Statutes, section 469.092. The economic development authority has all of the powers and duties granted to or imposed upon economic development authorities under Minnesota Statutes, sections 469.090 to 469.1081. The county economic development authority may create and define the boundaries of economic development districts at any place or places within the county, provided that a project as recommended by the county authority that is to be located within the corporate limits of a city may not be commenced without the approval of the governing body of the city. Minnesota Statutes, section 469.174, subdivision 10, and the contiguity requirement specified under Minnesota Statutes, section 469.101, subdivision 1, do not apply to limit the areas that may be designated as county economic development districts.

Subd. 2. [POWERS.] If an economic development authority is established as provided in subdivision 1, the county may exercise all of the powers relating to an economic development authority granted to a city under Minnesota Statutes, sections 469.090 to 469.1081, or other law, including the power to levy a tax to support the activities of the authority.

Subd. 3. [LOCAL APPROVAL.] This section is effective the day after the Meeker county board's approval is filed as provided in Minnesota Statutes, section 645.021, subdivision 3.

Sec. 22. [KITTSOON COUNTY; ECONOMIC DEVELOPMENT AUTHORITY; ESTABLISHMENT AND POWERS.]

Subdivision 1. [ESTABLISHMENT.] The board of county commissioners of Kittson county may establish an economic development authority in the manner provided in Minnesota Statutes, sections 469.090 to 469.1081, and may impose limits on the authority enumerated in Minnesota Statutes, section 469.092. The economic development authority has all of the powers and duties granted to or imposed upon economic development authorities under Minnesota Statutes, sections 469.090 to 469.1081. The county economic development authority may create and define the boundaries of economic development districts at any place or places within the county, provided that a project as recommended by the county authority that is to be located within the corporate limits of a city may not be commenced without the approval of the governing body of the city. Minnesota Statutes, section 469.174, subdivision 10, and the contiguity requirement specified under Minnesota Statutes, section 469.101, subdivision 1, do not apply to limit the areas that may be designated as county economic development districts.

Subd. 2. [POWERS.] If an economic development authority is established as provided in subdivision 1, the county may exercise all of the powers relating to an economic development authority granted to a city under Minnesota Statutes, sections 469.090 to 469.1081, or other law, including the power to levy a tax to support the activities of the authority.

Subd. 3. [LOCAL APPROVAL.] This section is effective the day after the Kittson county board's approval is filed as provided in Minnesota Statutes, section 645.021, subdivision 3."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Mr. Foley moved to amend S.F. No. 2985 as follows:

Page 188, after line 26, insert:

"Sec. 21. [CITY OF COON RAPIDS; ECONOMIC DEVELOPMENT.]

Subdivision 1. [AUTHORIZATION.] Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, upon approval of the governing body of the city of Coon Rapids by resolution, the duration of the tax increment financing districts of the Coon Rapids economic development authority designated 2-1, 2-2, and 2-3 may be extended to December 31, 2010.

Subd. 2. [SPECIAL RULES.] (a) The tax increment financing districts of the Coon Rapids economic development authority designated 2-1, 2-2, and 2-3 are subject to Minnesota Statutes, sections 469.174 to 469.178, except as provided in this subdivision.

(b) Tax increment revenues derived from the districts may only be applied to the payment of project costs described in the tax increment plans for the tax increment financing districts on the date of final enactment of this section and to the payment of the costs incurred with respect to the reconstruction and upgrading of the existing state and county bridges and roadways within the project area of the districts.

(c) Notwithstanding Minnesota Statutes, section 469.176, subdivision 1, tax increment revenue generated from each district may be paid to the authority until the earlier of (1) December 31, 2010; or (2) the date upon which all bonded indebtedness or contractual obligations of the authority relating to the districts have terminated.

(d) In the event that Coon Rapids, under Minnesota Statutes, section 469.1782, subdivision 1, elects that the districts are subject to Minnesota Statutes, section 273.1399, subdivision 8, the last sentence of Minnesota Statutes, section 273.1399, subdivision 8, does not apply, and Coon Rapids may elect to apply the exemption provided by Minnesota Statutes, section 273.1399, subdivision 6, paragraph (d).

Subd. 3. [EFFECTIVE DATE.] This section is effective upon compliance by the governing bodies of the city of Coon Rapids, the county of Anoka, and independent school district No. 11, Anoka-Hennepin, with Minnesota Statutes, section 645.021, subdivision 2."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 8 and nays 53, as follows:

Those who voted in the affirmative were:

|         |             |       |         |       |
|---------|-------------|-------|---------|-------|
| Betzold | Foley       | Novak | Runbeck | Wiger |
| Cohen   | Kelly, R.C. | Olson |         |       |

Those who voted in the negative were:

|              |               |          |            |             |
|--------------|---------------|----------|------------|-------------|
| Anderson     | Johnson, D.E. | Larson   | Pappas     | Scheid      |
| Belanger     | Johnson, D.H. | Lesewski | Pariseau   | Solon       |
| Berglin      | Johnson, D.J. | Lessard  | Piper      | Spear       |
| Day          | Johnson, J.B. | Limmer   | Pogemiller | Stevens     |
| Fischbach    | Junge         | Lourey   | Price      | Stumpf      |
| Flynn        | Kelley, S.P.  | Marty    | Ranum      | Ten Eyck    |
| Frederickson | Kiscaden      | Morse    | Robertson  | Terwilliger |
| Hanson       | Kleis         | Murphy   | Robling    | Vickerman   |
| Higgins      | Knutson       | Neuville | Sams       | Wiener      |
| Hottinger    | Krentz        | Oliver   | Samuelson  |             |
| Janezich     | Laidig        | Ourada   | Scheevel   |             |

The motion did not prevail. So the amendment was not adopted.

Ms. Kiscaden moved to amend S.F. No. 2985 as follows:

Page 207, after line 27, insert:

"Sec. 3. Minnesota Statutes 1997 Supplement, section 295.53, subdivision 4, is amended to read:

Subd. 4. [DEDUCTION FOR RESEARCH.] (a) In addition to the exemptions allowed under subdivision 1, a hospital or health care provider may deduct from its gross revenues subject to the hospital or health care provider taxes under sections 295.50 to 295.57 revenues equal to expenditures for qualifying research conducted by an allowable research program.

(b) For purposes of this subdivision, the following requirements apply:

(1) expenditures must be for program costs of qualifying research conducted by an allowable research program;

(2) an allowable research program must be a formal program of medical and health care research conducted by an entity which is exempt under section 501(c)(3) of the Internal Revenue Code of 1986 or is owned and operated under authority of a governmental unit;

(3) qualifying research must:

(A) be approved in writing by the governing body of the hospital or health care provider which is taking the deduction under this subdivision;

(B) have as its purpose the development of new knowledge in basic or applied science relating to the diagnosis and treatment of conditions affecting the human body;

(C) be subject to review by individuals with expertise in the subject matter of the proposed study but who have no financial interest in the proposed study and are not involved in the conduct of the proposed study; and

(D) be subject to review and supervision by an institutional review board operating in conformity with federal regulations if the research involves human subjects or an institutional animal care and use committee operating in conformity with federal regulations if the research involves animal subjects. Research expenses are not exempt if the study is a routine evaluation of health care methods or products used in a particular setting conducted for the purpose of making a management decision. Costs of clinical research activities paid directly for the benefit of an individual patient are excluded from this exemption. Basic research in fields including biochemistry, molecular biology, and physiology are also included if such programs are subject to a peer review process.

(c) No deduction shall be allowed under this subdivision for any revenue received by the hospital or health care provider in the form of a grant, gift, or otherwise, whether from a government or nongovernment source, on which the tax liability under section 295.52 is not imposed.

(d) Effective beginning with calendar year 1995, the taxpayer shall not take the deduction under this section into account in determining estimated tax payments or the payment made with the annual return under section 295.55. The total deduction allowable to all taxpayers under this section for calendar years beginning after December 31, 1994, may not exceed \$65,000,000. To implement this limit, each qualifying hospital and qualifying health care provider shall submit to the commissioner by March 15 its total expenditures qualifying for the deduction under this section for the previous calendar year. The commissioner shall sum the total expenditures of all taxpayers qualifying under this section for the calendar year. If the resulting amount exceeds \$65,000,000, the commissioner shall allocate a part of the \$65,000,000 deduction limit to each qualifying hospital and health care provider in proportion to its share of the total deductions. The commissioner shall pay a refund to each qualifying hospital or provider equal to its share of the deduction limit multiplied by the tax percentage specified in section 295.52. The commissioner shall pay the refund no later than May 15 of the calendar year.

(e) This subdivision expires January 1, 2000 1998.

Sec. 4. Minnesota Statutes 1997 Supplement, section 295.53, subdivision 4a, is amended to read:

Subd. 4a. [CREDIT FOR RESEARCH.] (a) ~~In addition to the exemptions allowed under subdivision 1,~~ A hospital or health care provider may claim an annual credit against the total amount of tax, if any, the hospital or health care provider owes for that calendar year under sections 295.50 to 295.57. The credit shall equal ~~2.5 percent~~ a percentage, as determined under paragraph (e) of this subdivision, ~~of revenues for patient services used to fund total expenditures for qualifying research conducted by an allowable research program paid for during the calendar year.~~ The amount of the credit shall not exceed the research expenditures or the tax liability of the hospital or health care provider under sections 295.50 to 295.57.

(b) For purposes of this subdivision, the following requirements apply:

(1) expenditures must be for program costs of qualifying research conducted by an allowable research program;

(2) an allowable research program must be a formal program of medical and health care research conducted by an entity which is exempt under section 501(c)(3) of the Internal Revenue Code of 1986 or is owned and operated under authority of a governmental unit;

(3) qualifying research must:

(A) be approved in writing by the governing body of the hospital or health care provider which is taking the ~~deduction~~ credit under this subdivision;

(B) have as its purpose the development of new knowledge in basic or applied science relating to the diagnosis and treatment of conditions affecting the human body;

(C) be subject to review by individuals with expertise in the subject matter of the proposed study but who have no financial interest in the proposed study and are not involved in the conduct of the proposed study; and

(D) be subject to review and supervision by an institutional review board operating in conformity with federal regulations if the research involves human subjects or an institutional animal care and use committee operating in conformity with federal regulations if the research involves animal subjects. Research expenses are not exempt qualified for this credit if the study is a routine evaluation of health care methods or products used in a particular setting conducted for the purpose of making a management decision. Costs of clinical research activities paid directly for the benefit of an individual patient are excluded from this exemption credit. Basic research in fields including biochemistry, molecular biology, and physiology are also included if such programs are subject to a peer review process.

(c) No credit shall be allowed under this subdivision for any revenue received by the hospital or health care provider in the form of a grant, gift, or otherwise, ~~whether from a government or nongovernment source, on which the tax liability under section 295.52 is not imposed to conduct research.~~

(d) The taxpayer shall apply for the credit under this section on the annual return under section 295.55, subdivision 5.

(e) ~~Beginning September 1, 2000, if the actual or estimated amount paid under this section for the calendar year exceeds \$2,500,000, the commissioner of finance shall determine the rate of the research credit for the following calendar year to the nearest one-half percent so that refunds paid under this section will most closely equal \$2,500,000. For research expenses paid in 1998, the credit shall equal two percent of total expenditures for qualifying research. Beginning in 1998, the commissioner of finance shall, based upon an analysis of the allowed research deductions under section 295.53, subdivision 4, for calendar year 1998, and in subsequent years, based upon an analysis of credits claimed under this subdivision for research conducted in the prior year, determine the rate of the credit for the following calendar year that will most closely equal \$2,000,000 for all taxpayers under this subdivision for fiscal year 1999 and \$8,000,000 for all taxpayers for later fiscal years. The commissioner of finance shall publish in the State Register by October 1 of each year the rate of the credit for the following calendar year. A determination under this section is not subject to the rulemaking provisions of chapter 14."~~

Page 210, after line 12, insert:

"Sec. 10. Laws 1997, chapter 225, article 3, section 24, is amended to read:

Sec. 24. [EFFECTIVE DATES.]

Section 2, subdivision 1, paragraph (f), is effective for payments, revenues, and reimbursements received from the federal government on or after December 31, 1996.

Sections 1 and 3 are effective July 1, 1997.

Sections 4, 5, 6, 9 to 13, 15, and 19 are effective for gross revenues received after December 31, 1997.

Section 14, subdivision 1, paragraph (a), clause (6), and paragraph (b) are effective the day following final enactment. Section 14, paragraph (a), clause (17), is effective for gross revenues received for hearing aids and related equipment or prescription eyewear after December 31, 1997.

Section 18 is effective January 1, 1998. Section 21, paragraph (a), is effective January 1, 1998.

Section 20 is effective for estimated payments due after July 1, 1997.

Sections 7, 8, and 21, paragraphs (c) and (d), are effective the day following final enactment.

Section 16 is effective for research expenditures incurred after December 31, 1995. Section 17 is effective for research expenditures incurred after December 31, ~~1999~~ 1997.

Section 23 is effective January 1, 1998.

Sec. 11. [FEDERAL RESERVE; RESEARCH CREDIT.]

(a) Notwithstanding Minnesota Statutes, section 16A.76, subdivision 2, the federal contingency reserve shall be reduced by \$2,000,000 for fiscal year 1999.

(b) Beginning fiscal year 2000, \$8,000,000 shall be transferred each fiscal year from the general fund to the health care access fund for the research credit established in Minnesota Statutes, section 295.53, subdivision 4a."

Page 210, after line 17, insert:

"Section 4 is effective for research expenditures paid after December 31, 1997."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Mr. Oliver moved to amend S.F. No. 2985 as follows:

Page 112, line 27, after the semicolon, insert "and"

Page 112, line 31, delete "; and"

Page 112, delete lines 32 to 36

Page 113, line 1, delete the new language

Page 115, line 10, reinstate the stricken language

Page 115, lines 16 and 21, delete the new language

Page 115, delete lines 17 to 20

The question was taken on the adoption of the amendment.

Mr. Oliver moved that those not voting be excused from voting. The motion did not prevail.

The roll was called, and there were yeas 31 and nays 33, as follows:

Those who voted in the affirmative were:

|               |             |          |           |             |
|---------------|-------------|----------|-----------|-------------|
| Belanger      | Kelly, R.C. | Lesewski | Pariseau  | Terwilliger |
| Day           | Kiscaden    | Lessard  | Robertson | Wiener      |
| Fischbach     | Kleis       | Limmer   | Robling   | Wiger       |
| Frederickson  | Knutson     | Neuville | Runbeck   |             |
| Hanson        | Krentz      | Oliver   | Sams      |             |
| Janezich      | Laidig      | Olson    | Scheevel  |             |
| Johnson, D.E. | Larson      | Ourada   | Stevens   |             |

Those who voted in the negative were:

|          |               |           |            |           |
|----------|---------------|-----------|------------|-----------|
| Anderson | Higgins       | Langseth  | Pappas     | Solon     |
| Beckman  | Hottinger     | Lourey    | Piper      | Spear     |
| Berglin  | Johnson, D.H. | Marty     | Pogemiller | Stumpf    |
| Betzold  | Johnson, D.J. | Moe, R.D. | Price      | Ten Eyck  |
| Cohen    | Johnson, J.B. | Morse     | Ranum      | Vickerman |
| Flynn    | Junge         | Murphy    | Samuelson  |           |
| Foley    | Kelley, S.P.  | Novak     | Scheid     |           |

The motion did not prevail. So the amendment was not adopted.

Mr. Limmer moved to amend S.F. No. 2985 as follows:

Pages 126 to 129, delete section 4 and insert:

"Sec. 4. Minnesota Statutes 1997 Supplement, section 297A.25, subdivision 11, is amended to read:

Subd. 11. [SALES TO GOVERNMENT.] The gross receipts from all sales, including sales in which title is retained by a seller or a vendor or is assigned to a third party under an installment sale or lease purchase agreement under section 465.71, of tangible personal property to, and all storage, use or consumption of such property by, the United States and its agencies and instrumentalities, the University of Minnesota, state universities, community colleges, technical colleges, state academies, the Lola and Rudy Perpich Minnesota center for arts education, and school districts, and political subdivisions of the state are exempt.

As used in this subdivision, "school districts" means public school entities and districts of every kind and nature organized under the laws of the state of Minnesota, including, without limitation, school districts, intermediate school districts, education districts, service cooperatives, secondary vocational cooperative centers, special education cooperatives, joint purchasing cooperatives, telecommunication cooperatives, regional management information centers, and any instrumentality of a school district, as defined in section 471.59.

Sales exempted by this subdivision include sales under section 297A.01, subdivision 3, paragraph (f).

~~Sales to hospitals and nursing homes owned and operated by political subdivisions of the state are exempt under this subdivision.~~

The sales to and exclusively for the use of libraries of books, periodicals, audio-visual materials and equipment, photocopiers for use by the public, and all cataloguing and circulation equipment, and cataloguing and circulation software for library use are exempt under this subdivision. For purposes of this paragraph "libraries" means libraries as defined in section 134.001, county law libraries under chapter 134A, the state library under section 480.09, and the legislative reference library.

~~Sales of supplies and equipment used in the operation of an ambulance service owned and operated by a political subdivision of the state are exempt under this subdivision provided that the supplies and equipment are used in the course of providing medical care. Sales to a political subdivision of repair and replacement parts for emergency rescue vehicles and fire trucks and apparatus are exempt under this subdivision.~~

~~Sales to a political subdivision of machinery and equipment, except for motor vehicles, used directly for mixed municipal solid waste management services at a solid waste disposal facility as defined in section 115A.03, subdivision 10, are exempt under this subdivision.~~

~~Sales to political subdivisions of chore and homemaking services to be provided to elderly or disabled individuals are exempt.~~

Sales of telephone services to the department of administration that are used to provide telecommunications services through the intertechnologies revolving fund are exempt under this subdivision.

This exemption shall not apply to building, construction or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a building or facility. This exemption does not apply to construction materials purchased by tax exempt entities or their contractors to be used in constructing buildings or facilities which will not be used principally by the tax exempt entities.

This exemption does not apply to the leasing of a motor vehicle as defined in section 297B.01, subdivision 5, except for leases entered into by the United States or its agencies or instrumentalities.

~~The tax imposed on sales to political subdivisions of the state under this section applies to all political subdivisions other than those explicitly exempted under this subdivision, notwithstanding section 115A.69, subdivision 6, 116A.25, 360.035, 458A.09, 458A.30, 458D.23, 469.101, subdivision 2, 469.127, 473.448, 473.545, or 473.608 or any other law to the contrary enacted before 1992.~~

Sales exempted by this subdivision include sales made to other states or political subdivisions of other states, if the sale would be exempt from taxation if it occurred in that state, but do not include sales under section 297A.01, subdivision 3, paragraphs (c) and (e)."

Page 133, after line 5, insert:

"Sec. 13. Minnesota Statutes 1996, section 297A.47, is amended to read:

297A.47 [REPORTING OF SALES TAX ON MINNESOTA GOVERNMENTS.]

The commissioner shall estimate the amount of revenues derived from imposing the tax under this chapter and chapter 297B on state agencies and ~~political subdivisions~~ for each fiscal year and shall report this amount to the commissioner of finance before the time for filing reports for the fiscal year with the United States Department of Commerce. The commissioner of finance in reporting the sales tax and sales tax on motor vehicles collections to the United States Department of Commerce shall exclude this amount from the sales and motor vehicle collections. ~~Sales tax and~~ Sales tax on motor vehicles revenues received from political subdivisions must be reported as intergovernmental grants or similar intergovernmental revenue. The amount of the sales tax and sales tax on motor vehicles paid by state agencies must be reported as reduced state expenditures."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 29 and nays 33, as follows:

Those who voted in the affirmative were:

|              |               |          |           |             |
|--------------|---------------|----------|-----------|-------------|
| Belanger     | Johnson, D.E. | Lesewski | Ourada    | Scheevel    |
| Betzold      | Kiscaden      | Lessard  | Pariseau  | Stevens     |
| Day          | Kleis         | Limmer   | Robertson | Terwilliger |
| Fischbach    | Knutson       | Neuville | Robling   | Wiener      |
| Frederickson | Krentz        | Oliver   | Runbeck   | Wiger       |
| Hanson       | Larson        | Olson    | Samuelson |             |

Those who voted in the negative were:

|          |               |             |            |           |
|----------|---------------|-------------|------------|-----------|
| Anderson | Hottinger     | Kelly, R.C. | Murphy     | Solon     |
| Beckman  | Janezich      | Laidig      | Pappas     | Spear     |
| Berglin  | Johnson, D.H. | Langseth    | Piper      | Stumpf    |
| Cohen    | Johnson, D.J. | Lourey      | Pogemiller | Ten Eyck  |
| Flynn    | Johnson, J.B. | Marty       | Price      | Vickerman |
| Foley    | Junge         | Moe, R.D.   | Ranum      |           |
| Higgins  | Kelley, S.P.  | Morse       | Scheid     |           |

The motion did not prevail. So the amendment was not adopted.

Mr. Scheevel moved to amend S.F. No. 2895 as follows:

Page 139, line 20, delete the second "city" and after "voters" insert "of the county in which the city is located"

Page 140, line 13, delete the first "city" and insert "county"

Page 141, line 6, delete the second "city" and insert "of the county in which the city is located"

Page 141, line 24, delete the second "city" and after "voters" insert "of the county in which the city is located"

Page 142, line 26, delete the first "city" and insert "county"

Page 145, line 7, delete "it" and insert "the county in which the city is located"

Page 145, line 17, delete "city" and insert "county"

Page 146, line 15, delete the second "city" and after "voters" insert "of the county"

Page 147, line 13, delete the first "city" and insert "county"

Page 150, line 30, delete "it" and insert "each of the counties in which the cities are located"

Page 151, line 1, after "cities" insert "located within counties"

Page 152, line 12, delete "it" and insert "Olmsted county"

Page 152, line 35, delete "city" and insert "county in which the city is located"

Page 153, line 20, delete "city" and after "voters" insert "of the county in which the city is located"

Page 154, line 6, delete "city" and insert "county"

The motion did not prevail. So the amendment was not adopted.

Mrs. Pariseau moved to amend S.F. No. 2985 as follows:

Page 62, delete section 26

Re-number the sections in sequence and correct the internal references

Amend the title accordingly

The motion did not prevail. So the amendment was not adopted.

Mr. Knutson moved to amend S.F. No. 2985 as follows:

Page 80, line 36, strike "\$19,910" and insert "\$33,920"

Page 81, line 1, strike "\$19,910" and insert "\$33,920" and strike "\$79,120" and insert "\$111,460"

Page 81, line 2, strike "\$79,120" and insert "\$111,460"

Page 81, line 10, strike "\$13,620" and insert "\$16,960"

Page 81, line 11, strike "\$13,620" and insert "\$16,960" and strike "\$44,750" and insert "\$55,730"

Page 81, line 12, strike "\$44,750" and insert "\$55,730"

Page 81, line 17, strike "\$16,770" and insert "\$20,890"

Page 81, line 18, strike "\$16,770" and insert "\$20,890" and strike "\$67,390" and insert "\$83,930"

Page 81, line 19, strike "\$67,390" and insert "\$83,930"

Page 82, after line 17, insert:

"Sec. 7. Minnesota Statutes 1996, section 290.06, subdivision 2d, is amended to read:

Subd. 2d. [INFLATION ADJUSTMENT OF BRACKETS.] (a) For taxable years beginning after December 31, ~~1994~~ 1998, the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage determined under paragraph (b). For the purpose of making the adjustment as provided in this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets as they existed for taxable years beginning after December 31, ~~1990~~ 1997, and before January 1, ~~1992~~ 1999. The rate applicable to any rate bracket must not be changed. The dollar amounts setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in \$5, it must be rounded up to the nearest \$10 amount.

(b) The commissioner shall adjust the rate brackets and by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "~~1990~~" "1998" shall be substituted for the word "~~1987~~ 1992." For ~~1994~~ 1999, the commissioner shall then determine the percent change from the 12 months ending on August 31, ~~1990~~ 1998, to the 12 months ending on August 31, ~~1994~~ 1999, and in each subsequent year, from the 12 months ending on August 31, ~~1990~~ 1998, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be subject to the administrative procedure act contained in chapter 14.

No later than December 15 of each year, the commissioner shall announce the specific percentage that will be used to adjust the tax rate brackets."

Page 89, after line 22, insert:

"Sec. 17. Minnesota Statutes 1996, section 290.091, subdivision 3, is amended to read:

Subd. 3. [EXEMPTION AMOUNT.] (a) For purposes of computing the alternative minimum tax, ~~the initial exemption amount is the exemption determined under section 55(d) of the Internal Revenue Code, as amended through December 31, 1992, except that alternative minimum taxable income as determined under this section must be substituted in the computation of the phase-out under section 55(d)(3).~~ equals the following amounts:

- (1) for an individual who is not a married individual and is not a surviving spouse, \$30,000;
- (2) for a married individual filing a separate return or an estate or a trust, one-half of the amount determined under clause (3) for joint returns;
- (3) for an individual filing a joint return or a surviving spouse, \$60,000.

(b) The exemption amount is determined by reducing the initial exemption amount, as determined under paragraph (a), by 25 percent of the amount of alternative minimum taxable income of the taxpayer that exceeds:

(1) for an individual who is not a married individual and is not a surviving spouse, \$112,500;

(2) for a married individual filing a separate return or an estate or a trust, one-half of the amount determined under clause (3);

(3) for an individual filing a joint return or a surviving spouse, \$225,000."

Page 105, line 14, delete "is" and insert "and the changes in the income tax brackets are"

Page 105, line 15, delete "Section 7 is" and insert "Sections 7, 8, and 17 are"

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 26 and nays 36, as follows:

Those who voted in the affirmative were:

|               |          |          |             |           |
|---------------|----------|----------|-------------|-----------|
| Belanger      | Kiscaden | Limmer   | Robertson   | Vickerman |
| Day           | Kleis    | Neuville | Robling     | Wiger     |
| Fischbach     | Knutson  | Oliver   | Runbeck     |           |
| Frederickson  | Laidig   | Olson    | Scheevel    |           |
| Johnson, D.E. | Larson   | Ourada   | Stevens     |           |
| Junge         | Lesewski | Pariseau | Terwilliger |           |

Those who voted in the negative were:

|          |               |           |            |          |
|----------|---------------|-----------|------------|----------|
| Anderson | Hottinger     | Langseth  | Piper      | Spear    |
| Beckman  | Janezich      | Lessard   | Pogemiller | Stumpf   |
| Betzold  | Johnson, D.H. | Lourey    | Price      | Ten Eyck |
| Cohen    | Johnson, D.J. | Marty     | Ranum      | Wiener   |
| Flynn    | Johnson, J.B. | Moe, R.D. | Sams       |          |
| Foley    | Kelley, S.P.  | Morse     | Samuelson  |          |
| Hanson   | Kelly, R.C.   | Novak     | Scheid     |          |
| Higgins  | Krentz        | Pappas    | Solon      |          |

The motion did not prevail. So the amendment was not adopted.

Ms. Kiscaden moved to amend S.F. No. 2985 as follows:

Page 135, line 31, strike "20,"

Page 136, after line 13, insert:

"Section 20 is effective for sales and purchases occurring after December 31, 1995."

The motion prevailed. So the amendment was adopted.

Mr. Janezich moved to amend S.F. No. 2985 as follows:

Page 61, after line 18, insert:

"Sec. 24. Laws 1994, chapter 571, article 11, is amended by adding a section to read:

Sec. 5a. [POLITICAL SUBDIVISION.]

For purposes of Minnesota Statutes, section 275.066, the Chisholm-Hibbing airport authority is a political subdivision of the state of Minnesota."

Page 65, line 27, delete "Section 23" and insert "Sections 23 and 24"

Page 65, line 29, delete "27 to 31" and insert "28 to 32"

Page 65, line 31, delete "32" and insert "33"

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Mr. Morse moved to amend S.F. No. 2985 as follows:

Page 35, after line 28, insert:

"Sec. 4. Minnesota Statutes 1997 Supplement, section 273.112, subdivision 3, is amended to read:

Subd. 3. Real estate shall be entitled to valuation and tax deferment under this section only if it is:

(a) actively and exclusively devoted to golf, skiing, lawn bowling, croquet, or archery or firearms range recreational use or other recreational or social uses carried on at the establishment;

(b) five acres in size or more, except in the case of a lawn bowling or croquet green or an archery or firearms range or an establishment actively and exclusively devoted to indoor fitness, health, social, recreational, and related uses in which the establishment is owned and operated by a not-for-profit corporation;

(c)(1) operated by private individuals or, in the case of a lawn bowling or croquet green, by private individuals or corporations, and open to the public; or

(2) operated by firms or corporations for the benefit of employees or guests; or

(3) operated by private clubs having a membership of 50 or more or open to the public, provided that the club does not discriminate in membership requirements or selection on the basis of sex or marital status; and

(d) made available for use without discrimination on the basis of sex during the time when the facility is open to use by the public or by members, except that use for golf may be restricted on the basis of sex no more frequently than one, or part of one, weekend each calendar month for each sex and no more than two, or part of two, weekdays each week for each sex.

If a golf club membership allows use of golf course facilities by more than one adult per membership, the use must be equally available to all adults entitled to use of the golf course under the membership, except that use may be restricted on the basis of sex as permitted in this section. Memberships that permit play during restricted times may be allowed only if the restricted times apply to all adults using the membership. A golf club may not offer a membership or golfing privileges to a spouse of a member that provides greater or less access to the golf course than is provided to that person's spouse under the same or a separate membership in that club, except that the terms of a membership may provide that one spouse may have no right to use the golf course at any time while the other spouse may have either limited or unlimited access to the golf course.

A golf club may have or create an individual membership category which entitles a member for a reduced rate to play during restricted hours as established by the club. The club must have on record a written request by the member for such membership.

A golf club that has food or beverage facilities or services must allow equal access to those facilities and services for both men and women members in all membership categories at all times. Nothing in this paragraph shall be construed to require service or access to facilities to persons under the age of 21 years or require any act that would violate law or ordinance regarding sale, consumption, or regulation of alcoholic beverages.

To qualify for valuation under this section, a golf club must, during a period of at least ten percent of its regular operating hours, provide access to golfers aged 17 or younger who are participating in a program of youth golf instruction, including times when the course is used for tournaments for young golfers, and must charge a fee to those golfers that does not exceed one-half of its normal fee for play at that time.

For purposes of this subdivision and subdivision 7a, discrimination means a pattern or course of conduct and not linked to an isolated incident."

Page 65, after line 8, insert:

"Sec. 34. [EXEMPTION FROM RECAPTURE.]

If a golf club ceases to qualify for valuation under Minnesota Statutes, section 273.112, because of the requirement imposed under section 4, the recapture provision of Minnesota Statutes, section 273.112, subdivision 7, does not apply."

Page 65, line 10, after "1," insert "4,"

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

Mrs. Fischbach questioned whether the amendment was germane.

The Chair ruled that the amendment was germane.

Ms. Wiener moved to amend the Morse amendment to S.F. No. 2985 as follows:

Page 2, delete lines 26 and 27

Page 2, line 28, delete "young golfers,"

The motion prevailed. So the amendment to the amendment was adopted.

Mr. Morse withdrew his amendment.

Ms. Runbeck moved to amend S.F. No. 2985 as follows:

Page 104, after line 31, insert:

"Sec. 26. [PROHIBITION OF USE OF SOCIAL SECURITY NUMBERS.]

No label, envelope, or other material printed by the department of revenue may include the social security number of the taxpayer in a place that will be visible when delivered or mailed to the taxpayer."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Mrs. Firschbach moved to amend S.F. No. 2985 as follows:

Page 82, after line 33, insert:

"Sec. 8. Minnesota Statutes 1997 Supplement, section 290.067, subdivision 1, is amended to read:

Subdivision 1. [AMOUNT OF CREDIT.] (a) A taxpayer may take as a credit against the tax due from the taxpayer and a spouse, if any, under this chapter an amount equal to the dependent care credit for which the taxpayer is eligible pursuant to the provisions of section 21 of the Internal Revenue Code subject to the limitations provided in subdivision 2 except that in determining whether the child qualified as a dependent, income received as an aid to families with dependent children grant or allowance to or on behalf of the child, or as a grant or allowance to or on behalf of the child under the successor program pursuant to Public Law 104-193, must not be taken into account in determining whether the child received more than half of the child's support from the taxpayer, and the provisions of section 32(b)(1)(D) of the Internal Revenue Code do not apply.

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

(c) If a married couple:

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

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

(3) does not participate in a dependent care assistance program as defined in section 129 of the Internal Revenue Code, in lieu of the actual employment related expenses paid for that child under paragraph (a) or the deemed amount under paragraph (b), the lesser of (i) the combined earned income of the couple or (ii) \$2,400 will be deemed to be the employment related expense paid for that child. The earned income limitation of section 21(d) of the Internal Revenue Code shall not apply to this deemed amount. These deemed amounts apply regardless of whether any employment-related expenses have been paid.

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

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

(2) if the person is an organization described in section 501(c)(3) of the Internal Revenue Code and exempt from tax under section 501(a) of the Internal Revenue Code, the name and address of the person are included on the return claiming the credit.

In the case of a failure to provide the information required under the preceding sentence, the preceding sentence does not apply if it is shown that the taxpayer exercised due diligence in attempting to provide the information required.

In the case of a nonresident, part-year resident, or a person who has earned income not subject to tax under this chapter, the credit determined under section 21 of the Internal Revenue Code must be allocated based on the ratio by which the earned income of the claimant and the claimant's spouse from Minnesota sources bears to the total earned income of the claimant and the claimant's spouse."

Page 105, line 17, after "Sections" insert "8,"

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 27 and nays 34, as follows:

Those who voted in the affirmative were:

|               |          |          |           |             |
|---------------|----------|----------|-----------|-------------|
| Belanger      | Kiscaden | Lesewski | Pariseau  | Stevens     |
| Day           | Kleis    | Limmer   | Robertson | Terwilliger |
| Fischbach     | Knutson  | Neuville | Robling   | Wiger       |
| Frederickson  | Krentz   | Oliver   | Runbeck   |             |
| Hanson        | Laidig   | Olson    | Sams      |             |
| Johnson, D.E. | Larson   | Ourada   | Samuelson |             |

Those who voted in the negative were:

|           |               |           |            |           |
|-----------|---------------|-----------|------------|-----------|
| Anderson  | Janezich      | Langseth  | Novak      | Solon     |
| Betzold   | Johnson, D.H. | Lessard   | Pappas     | Spear     |
| Cohen     | Johnson, D.J. | Lourey    | Piper      | Stumpf    |
| Flynn     | Johnson, J.B. | Marty     | Pogemiller | Ten Eyck  |
| Foley     | Junge         | Moe, R.D. | Price      | Vickerman |
| Higgins   | Kelley, S.P.  | Morse     | Ranum      | Wiener    |
| Hottinger | Kelly, R.C.   | Murphy    | Scheid     |           |

The motion did not prevail. So the amendment was not adopted.

Mr. Belanger moved to amend S.F. No. 2985 as follows:

Page 156, delete section 2

Pages 156 and 157, section section 4

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

Mr. Belanger then moved to amend the Belanger amendment to S.F. No. 2985 as follows:

Page 1, delete lines 2 and 3 and insert:

"Pages 155 and 156, delete section 1

Page 156, delete section 3"

The motion prevailed. So the amendment to the amendment was adopted.

The question recurred on the Belanger amendment, as amended.

The roll was called, and there were yeas 23 and nays 38, as follows:

Those who voted in the affirmative were:

|               |          |          |           |             |
|---------------|----------|----------|-----------|-------------|
| Belanger      | Kiscaden | Lesewski | Ourada    | Solon       |
| Day           | Kleis    | Limmer   | Pariseau  | Stevens     |
| Fischbach     | Knutson  | Neuville | Robertson | Terwilliger |
| Frederickson  | Laidig   | Oliver   | Robling   |             |
| Johnson, D.E. | Larson   | Olson    | Runbeck   |             |

Those who voted in the negative were:

|          |               |           |            |           |
|----------|---------------|-----------|------------|-----------|
| Anderson | Hottinger     | Krentz    | Novak      | Spear     |
| Beckman  | Janezich      | Langseth  | Pappas     | Stumpf    |
| Betzold  | Johnson, D.H. | Lessard   | Piper      | Ten Eyck  |
| Cohen    | Johnson, D.J. | Lourey    | Pogemiller | Vickerman |
| Flynn    | Johnson, J.B. | Marty     | Ranum      | Wiener    |
| Foley    | Junge         | Moe, R.D. | Sams       | Wiger     |
| Hanson   | Kelley, S.P.  | Morse     | Samuelson  |           |
| Higgins  | Kelly, R.C.   | Murphy    | Scheid     |           |

The motion did not prevail. So the Belanger amendment, as amended, was not adopted.

S.F. No. 2985 was read the third time, as amended, and placed on its final passage.

The question was taken on the passage of the bill, as amended.

The roll was called, and there were yeas 50 and nays 13, as follows:

Those who voted in the affirmative were:

|          |           |               |             |           |
|----------|-----------|---------------|-------------|-----------|
| Anderson | Flynn     | Johnson, D.E. | Kelly, R.C. | Lesewski  |
| Beckman  | Foley     | Johnson, D.H. | Kiscaden    | Lessard   |
| Belanger | Hanson    | Johnson, D.J. | Knutson     | Lourey    |
| Berglin  | Higgins   | Johnson, J.B. | Krentz      | Moe, R.D. |
| Betzold  | Hottinger | Junge         | Langseth    | Morse     |
| Cohen    | Janezich  | Kelley, S.P.  | Larson      | Murphy    |

|        |            |           |         |           |
|--------|------------|-----------|---------|-----------|
| Novak  | Piper      | Robling   | Solon   | Ten Eyck  |
| Oliver | Pogemiller | Sams      | Spear   | Vickerman |
| Ourada | Price      | Samuelson | Stevens | Wiener    |
| Pappas | Ranum      | Scheid    | Stumpf  | Wiger     |

Those who voted in the negative were:

|              |        |          |           |             |
|--------------|--------|----------|-----------|-------------|
| Day          | Kleis  | Marty    | Pariseau  | Terwilliger |
| Fischbach    | Laidig | Neuville | Robertson |             |
| Frederickson | Limmer | Olson    | Runbeck   |             |

So the bill, as amended, was passed and its title was agreed to.

Mr. Johnson, D.J. moved that S.F. No. 2985 be laid on the table. The motion prevailed.

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate reverted to the Orders of Business of Reports of Committees and Second Reading of Senate Bills.

### REPORTS OF COMMITTEES

Mr. Moe, R.D. moved that the Committee Report at the Desk be now adopted. The motion prevailed.

#### **Mr. Johnson, D.J. from the Committee on Taxes, to which was referred**

**S.F. No. 3378:** A bill for an act relating to education; prekindergarten through grade 12; providing for general education; special education; interagency service; lifelong learning; technology; facilities and organization; academic excellence; education policy; state agencies; appropriating money; amending Minnesota Statutes 1996, sections 15.014, subdivision 3; 119B.20, subdivisions 5, 8, and 12; 120.03, subdivisions 1 and 5; 120.06, subdivision 2a; 120.062, subdivision 5; 120.064, subdivisions 4, 5, 9, 14, 17, 21, and 24; 120.101, subdivisions 3, 7, and 8; 120.102, subdivision 3; 120.17, subdivisions 1, 2, 3, 3a, 3b, 7a, 9, and 15; 120.1701, subdivisions 2, 5, 11, and 17; 120.173, subdivisions 1 and 6; 120.66, subdivisions 1 and 2; 120.73, subdivision 1; 120.74, subdivision 1; 121.02, subdivision 1; 121.11, subdivision 7d; 121.1115, subdivision 1, and by adding a subdivision; 121.14; 121.148, subdivision 3; 121.16, by adding subdivisions; 121.1601, subdivision 2; 121.612, subdivisions 2, 3, 6, 7, and 9; 121.908, subdivisions 2 and 3; 121.932, subdivision 5, and by adding a subdivision; 122.23, subdivisions 2b and 6; 123.34, subdivision 9; 123.35, subdivision 19a; 123.3514, by adding a subdivision; 123.39, subdivision 1, and by adding a subdivision; 123.805, subdivision 1; 123.935, subdivisions 1 and 2; 124.078; 124.17, subdivision 2; 124.225, subdivisions 7f and 8m; 124.239, as amended; 124.248, subdivisions 1 and 1a; 124.26, subdivision 1c; 124.2713, subdivision 6a; 124.2727, subdivisions 6a and 6c; 124.273, by adding a subdivision; 124.32, by adding a subdivision; 124.3201, subdivision 5; 124.646, subdivision 4; 124.755, subdivision 1; 124.83, subdivision 8; 124.84, subdivisions 3 and 4; 124.85, subdivision 4; 124.91, subdivisions 2, 4, and 6; 124.95, as amended; 124A.03, subdivision 3c; 124A.034, subdivision 2; 124A.036, subdivisions 1a, 4, 6, and by adding a subdivision; 124A.22, by adding a subdivision; 124A.29, subdivision 1; 124A.292, subdivision 3; 124A.30; 124C.45, subdivision 2; 124C.47; 124C.48, by adding a subdivision; 125.05, subdivisions 4 and 8; 125.183, subdivisions 1 and 3; 125.1885, subdivisions 1, 4, and 5; 125.191; 126.237; 126.70, subdivision 2a; 127.27, subdivision 2; 128A.02, subdivisions 1, 3, 3b, 5, 6, and by adding subdivisions; 128A.022; 128A.023, subdivisions 1 and 2; 128A.026, subdivisions 1 and 3; 128A.07, subdivision 2; 169.448, subdivision 2; 169.451, subdivision 5; 256B.0625, subdivision 26; 268.665, subdivision 3; and 471.18; Minnesota Statutes 1997 Supplement, sections 16B.465, subdivision 4; 120.05, subdivision 2; 120.064, subdivisions 3, 8, 10, and 14a; 120.1045, subdivision 1; 120.1701, subdivision 3; 121.1113, subdivision 1; 121.15, subdivision 6; 121.615, subdivisions 2, 6, 7, and 10; 121.904, subdivision 4a; 124.17, subdivisions 1d, 4, 6, and 7; 124.195, subdivision 7; 124.248, subdivisions 2a and 6; 124.26, subdivision 2; 124.2601, subdivisions 3 and 6; 124.2711, subdivision 2a; 124.2713, subdivision 6; 124.3111, subdivision 2; 124.6475; 124.648, subdivision 3; 124.91, subdivisions 1, 5, and 7, as amended; 124.961; 124A.036, subdivision 5; 124A.22, subdivisions 2, 11, and 13b; 124A.23, subdivision 1; 124A.28, subdivisions 1 and 1a; 124C.46, subdivisions 1 and 2; 125.05, subdivisions 1c and 2; 126.79,

subdivisions 6, 7, 8, and 9; 127.27, subdivisions 10 and 11; 127.31, subdivision 15; 127.32; 127.36, subdivision 1; 127.38; 128A.02, subdivision 7; 169.01, subdivision 6; 169.974, subdivision 2; 268.665, subdivision 2; and 290.0674, subdivision 1; Laws 1992, chapter 499, article 7, section 31; Laws 1993, chapter 224, article 3, section 32; Laws 1997, chapter 157, section 71; Laws 1997, First Special Session chapter 4, article 1, section 61, subdivision 3; article 2, section 51, subdivisions 15, 25, 29, and 33; article 3, section 25, subdivision 4; article 4, sections 33, 34, and 35, subdivision 9; article 5, section 28, subdivisions 9, 10, 11, and 12; article 6, section 20, subdivision 4; article 8, section 4, subdivision 3; article 9, section 11; article 10, sections 3, subdivision 2; 4, and 5; proposing coding for new law in Minnesota Statutes, chapters 120; 123; and 124A; repealing Minnesota Statutes 1996, sections 121.02, subdivisions 2a, 3, and 4; 121.11, subdivisions 5, 7, 7b, 7d, 9, 11, 12, and 14; 121.904, subdivision 4c; 124.2601, subdivision 4; 124.2713, subdivision 6b; 124.2727, subdivision 6b; 124.32, subdivision 13; 124.491; 124.492; 124.493; 124.494; 124.4945; 124.4946; 124.495; 124.647; 124.82; 124.83, subdivisions 4, 5, and 7; 124A.292, subdivisions 2 and 4; 124C.55; 124C.56; 124C.57; 124C.60, subdivision 2; 124C.71; 124C.72; 124C.73; and 126.12; Minnesota Statutes 1997 Supplement, sections 120.1015; 121.11, subdivision 7e; 124.155, subdivisions 1 and 2; 124.2601, subdivision 5; 124.825, subdivisions 3 and 4; 124.912, subdivisions 2 and 3; 124C.60, subdivisions 1 and 3; and 169.452; Laws 1997, chapter 231, article 1, section 17; Minnesota Rules, part 3525.2750, subpart 1, item B.

Reports the same back with the recommendation that the bill be amended as follows:

Page 31, line 3, after the period, insert "To use private duty nursing services or personal care services at school, the recipient or responsible party must provide written authorization in the care plan identifying the chosen provider and the daily amount of services to be used at school."

Page 63, after line 1, insert:

"Sec. 27. Minnesota Statutes 1997 Supplement, section 124.3201, subdivision 4, is amended to read:

Subd. 4. [STATE TOTAL SPECIAL EDUCATION REVENUE.] The state total special education revenue for fiscal year 1998 equals \$358,542,000. The state total special education revenue for fiscal year 1999 equals ~~\$435,322,000~~ \$436,023,000. The state total special education revenue for later fiscal years equals:

- (1) the state total special education revenue for the preceding fiscal year; times
- (2) the program growth factor; times
- (3) the ratio of the state total average daily membership for the current fiscal year to the state total average daily membership for the preceding fiscal year."

Page 73, line 25, delete "\$382,669,000" and insert "\$383,220,000"

Page 73, after line 29, insert:

"\$458,000 of the 1999 current year account is appropriated to the department of human services to cover additional medical assistance costs associated with state law changes regarding speech-language pathologists in Minnesota Statutes, section 256B.0625, subdivision 26.

\$93,000 of the 1999 current year account is appropriated to the department of human services to transfer into the health care access fund for the purposes of state law changes regarding speech-language pathologists in Minnesota Statutes, section 256B.0625, subdivision 26.

For fiscal years 2000 and 2001, the department of children, families, and learning must reimburse the department of human services for medical assistance and MinnesotaCare costs associated with state law changes regarding the speech-language pathologists in Minnesota Statutes, section 256B.0625, subdivision 26."

Page 76, line 18, delete "44" and insert "45"

Page 77, after line 12, insert:

"Sec. 57. [DEPARTMENT OF HUMAN SERVICES.]

The department of human services shall report to the legislature on January 15 for the years 1999, 2000, and 2001, the medical assistance MinnesotaCare reimbursed costs of special education services, which are covered services under Minnesota Statutes, chapter 256B. If the November 1998 forecast for the state medical assistance expenditures for special education services which are covered services under Minnesota Statutes, chapter 256B, exceeds \$8,000,000 per year, the department of children, families, and learning must develop a plan to allocate additional resources to cover the excess costs."

Page 78, line 1, delete "44, 51, 52, 53, and 57" and insert "45, 52, 53, 54, and 59"

Renumber the sections in sequence

Amend the title as follows:

Page 2, line 14, after the first semicolon, insert "124.3201, subdivision 4;"

And when so amended the bill do pass. Amendments adopted. Report adopted.

## SECOND READING OF SENATE BILLS

S.F. NO. 3378 was read the second time.

## INTRODUCTION AND FIRST READING OF SENATE BILLS

The following bills were read the first time and referred to the committees indicated.

**Mrs. Scheid, Ms. Ranum, Messrs. Kelley, S.P. and Johnson, D.H. introduced--**

**S.F. No. 3381:** A bill for an act relating to taxation; property; extending the time and qualifications for certain apartment valuation exclusion in the cities of Brooklyn Center, Richfield, and St. Louis Park; amending Laws 1997, chapter 231, article 2, section 63, subdivision 1.

Referred to the Committee on Local and Metropolitan Government.

**Mr. Oliver introduced--**

**S.F. No. 3382:** A bill for an act relating to taxation; providing conformity to federal provisions providing for certain individual retirement accounts; amending Minnesota Statutes 1997 Supplement, section 290.01, subdivision 19.

Referred to the Committee on Taxes.

**Messrs. Kleis; Kelly, R.C.; Neuville; Betzold and Ms. Kiscaden introduced--**

**S.F. No. 3383:** A bill for an act relating to crime prevention; creating a grant program to reimburse counties for costs associated with sexual psychopathic personalities and sexually dangerous persons' civil commitments; appropriating money.

Referred to the Committee on Crime Prevention.

## MEMBERS EXCUSED

Mr. Berg was excused from the Session of today. Mr. Laidig was excused from the Session of

today from 12:30 to 2:20 p.m. Mr. Novak was excused from the Session of today from 12:30 to 2:45 p.m. Mr. Terwilliger was excused from the Session of today from 2:00 to 2:30 p.m. Mr. Price was excused from the Session of today from 2:30 to 3:00 p.m. Messrs. Dille and Metzen were excused from the Session of today at 3:30 p.m. Mr. Scheevel was excused from the Session of today at 5:00 p.m. Mr. Beckman was excused from the Session of today from 5:00 to 5:15 p.m.

### **ADJOURNMENT**

Mr. Moe, R.D. moved that the Senate do now adjourn until 9:00 a.m., Friday, February 27, 1998. The motion prevailed.

Patrick E. Flahaven, Secretary of the Senate



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