

STATE OF MINNESOTA

# Journal of the Senate

EIGHTY-FIRST LEGISLATURE

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FIFTY-FIFTH DAY

St. Paul, Minnesota, Friday, April 30, 1999

The Senate met at 9:00 a.m. and was called to order by the President.

## CALL OF THE SENATE

Senator Olson 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. Joseph M. Dokken.

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

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

The President declared a quorum present.

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

## MEMBERS EXCUSED

Senators Ourada and Solon were excused from the Session of today.

## MESSAGES FROM THE HOUSE

Mr. President:

I have the honor to announce that the House has acceded to the request of the Senate for the appointment of a Conference Committee, consisting of 5 members of the House, on the amendments adopted by the House to the following Senate File:

**S.F. No. 2223:** A bill for an act relating to the organization and operation of state government; appropriating money for the general legislative and administrative expenses of state government with certain conditions; amending Minnesota Statutes 1998, sections 3.17; 3C.12, subdivision 2; 8.15, subdivisions 1, 2, and 3; 13.03, subdivision 2; 13.05, by adding a subdivision; 13.073, by

adding a subdivision; 15.50, subdivision 2; 16A.102, subdivision 1; 16A.129, subdivision 3; 16A.45, subdivision 1; 16A.85, subdivision 1; 16B.03; 16B.104; 16B.24, subdivision 5; 16B.31, subdivision 2; 16B.32, subdivision 2; 16B.42, subdivision 1; 16B.465, subdivision 3; 16B.72; 16B.73; 16C.14, subdivision 1; 16D.04, subdivision 2; 16E.01, subdivision 1; 16E.02; 16E.08; 43A.047; 43A.22; 43A.23, subdivisions 1 and 2; 43A.30, by adding a subdivision; 43A.31, subdivision 2, and by adding a subdivision; 138.17, subdivisions 7 and 8; 192.49, subdivision 3; 197.79, subdivision 10; 204B.25, subdivision 2, and by adding a subdivision; 204B.27, by adding a subdivision; 204B.28, subdivision 1; 240A.09; 297F.08, by adding a subdivision; 325K.03, by adding a subdivision; 325K.04; 325K.05, subdivision 1; 325K.09, by adding a subdivision; 325K.10, subdivision 5; 325K.14, by adding a subdivision; 325K.15, by adding a subdivision; and 349.163, subdivision 4; Laws 1993, chapter 192, section 16; Laws 1994, chapter 643, section 69, subdivision 1; Laws 1995, First Special Session chapter 3, article 12, section 7, subdivision 1, as amended; Laws 1997, chapter 202, article 2, section 61; and Laws 1998, chapter 366, section 2; proposing coding for new law in Minnesota Statutes, chapters 16B; 43A; 240A; and 325F; repealing Minnesota Statutes 1998, sections 16A.103, subdivision 3; 16E.11; 16E.12; and 16E.13; Laws 1991, chapter 235, article 5, section 3, as amended; Minnesota Rules, part 8275.0045, subpart 2.

There has been appointed as such committee on the part of the House:

Krinkie, Osskopp, Rhodes, Reuter and Kahn.

Senate File No. 2223 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned April 29, 1999

Mr. President:

I have the honor to announce that the House has acceded to the request of the Senate for the appointment of a Conference Committee, consisting of 3 members of the House, on the amendments adopted by the House to the following Senate File:

**S.F. No. 2234:** A bill for an act relating to public administration; making deficiency appropriations for state government operations; transferring money; appropriating money.

There has been appointed as such committee on the part of the House:

Bishop, Gerlach and Osthoff.

Senate File No. 2234 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned April 29, 1999

Mr. President:

I have the honor to announce that the House has acceded to the request of the Senate for the appointment of a Conference Committee, consisting of 3 members of the House, on the amendments adopted by the House to the following Senate File:

**S.F. No. 841:** A bill for an act relating to insurance; providing an alternative benefit plan for small employers; authorizing a small employer alternative benefit plan pilot project; modifying certain health plan company requirements; amending Minnesota Statutes 1998, sections 62L.02, subdivision 16; 62L.05, subdivision 5, and by adding a subdivision; 62Q.095, subdivision 1; and 62Q.51, subdivision 4.

There has been appointed as such committee on the part of the House:

Haas, Davids and Milbert.

Senate File No. 841 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned April 29, 1999

Mr. President:

I have the honor to announce that the House has acceded to the request of the Senate for the appointment of a Conference Committee, consisting of 5 members of the House, on the amendments adopted by the House to the following Senate File:

**S.F. No. 2226:** A bill for an act relating to state government; appropriating money for environmental, natural resource, and agricultural purposes; establishing and modifying certain programs; providing for regulation of certain activities and practices; providing for accounts, assessments, and fees; amending Minnesota Statutes 1998, sections 14.386; 16A.531, by adding a subdivision; 16B.171, as amended; 17.038; 17.102, subdivision 4; 17.109, subdivisions 1 and 3; 17.115, subdivision 3; 17.116, subdivision 3; 17.117, subdivision 3; 17.457, subdivision 10; 17.59, subdivision 5; 17.85; 17.982, subdivision 1; 17.983, subdivision 1; 17A.11; 17B.15, subdivision 1; 18B.05, subdivision 1; 18B.26, subdivision 5; 18C.131; 18E.02, subdivision 5; 18E.03, subdivision 1; 21.115; 21.116; 21.90, subdivision 3; 21.92; 25.39, subdivision 4; 27.07, subdivision 6; 28A.08, subdivision 3; 29.22, subdivision 5; 31.94; 31.95, subdivision 3a; 31B.06; 32.21, subdivision 4; 32.394, subdivision 9; 41B.044, subdivision 2; 84.027, subdivision 15; 84.0855, subdivision 2, and by adding a subdivision; 84.81, by adding a subdivision; 84.8205, by adding a subdivision; 84.83, subdivisions 3 and 4; 84.86, subdivision 1; 84.862, subdivisions 1 and 2; 84.872, subdivision 1; 84.91, subdivision 1; 84.98, subdivision 6; 84A.55, subdivision 5; 85.015, subdivision 4, and by adding a subdivision; 85.019, subdivision 2, and by adding subdivisions; 85.40, subdivision 5; 85.41, subdivisions 1, 4, and 5; 85.42; 85.44; 85.45, subdivision 1; 88.067; 89A.01, by adding a subdivision; 89A.02; 89A.03; 89A.04; 89A.05; 89A.06; 89A.07, subdivisions 3 and 5; 89A.10; 92.45; 92.46, subdivision 1; 97A.075, subdivision 1; 97B.020; 103G.271, subdivision 6; 115.55, subdivision 5a; 115A.908, subdivision 2; 115A.9651, subdivision 6; 115B.175, subdivision 2; 115B.39, subdivision 2; 115B.40, subdivisions 2, 3, 4, 5, 6, 7, and 8; 115B.405, subdivision 1; 115B.412, subdivision 3; 115B.42; 115B.43, subdivision 1; 115B.442, by adding a subdivision; 115B.445; 115B.48, subdivision 8; 116.072, subdivision 1; 116.073, subdivisions 1 and 2; 116O.09, subdivision 5; 169.121, subdivision 3; 169.1217, subdivisions 7a and 9; 169.123, subdivision 1; 171.07, subdivisions 12 and 13; 216C.41, subdivision 2; 223.17, subdivision 3; 231.16; 232.22, subdivision 3; 233.08; 236.02, subdivision 4; 290.431; 290.432; 446A.072, subdivision 4; 574.263; and 574.264, subdivision 1; Laws 1994, chapter 643, section 27, subdivision 2, as amended; Laws 1995, chapter 220, section 142, as amended; and Laws 1998, chapter 401, section 53; proposing coding for new law in Minnesota Statutes, chapters 18; 28A; 31B; 41B; 84; 85; 97C; 103G; 115B; and 116; repealing Minnesota Statutes 1998, sections 115A.981; 297H.13, subdivisions 3 and 6; and 473.845, subdivision 2.

There has been appointed as such committee on the part of the House:

Holsten, Finseth, Ozment, Ness and Osthoff.

Senate File No. 2226 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned April 29, 1999

Mr. President:

I have the honor to announce the passage by the House of the following House File, herewith transmitted: H.F. No. 2420.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted April 29, 1999

**FIRST READING OF HOUSE BILLS**

The following bill was read the first time.

**H.F. No. 2420:** A bill for an act relating to financing state and local government; providing a sales tax rebate; reducing individual income tax rates; making changes to income, sales and use, property, excise, mortgage registry and deed, health care provider, motor fuels, cigarette and tobacco, liquor, insurance premiums, aircraft registration, lawful gambling, taconite production, solid waste, and special taxes; establishing an agricultural homestead credit; changing and allowing tax credits, subtractions, and exemptions; changing property tax valuation, assessment, levy, classification, homestead, credit, aid, exemption, review, appeal, abatement, and distribution provisions; extending levy limits and changing levy authority; providing for reverse referenda on certain levy increases; phasing out health care provider taxes; extending the suspension of the tax on certain insurance premiums; reducing tax rates on lawful gambling; changing tax increment financing law and providing special authority for certain cities; authorizing water and sanitary sewer districts; providing for the funding of courts in certain judicial districts; changing tax forfeiture and delinquency provisions; changing and clarifying tax administration, collection, enforcement, and penalty provisions; freezing the taconite production tax and providing for its distribution; providing for funding for border cities; changing fiscal note requirements; providing for deposit of tobacco settlement funds; providing for allocation of certain budget surpluses; requiring studies; establishing a task force; and providing for appointments; transferring funds; appropriating money; amending Minnesota Statutes 1998, sections 3.986, subdivision 2; 3.987, subdivision 1; 16A.152, subdivision 2, and by adding a subdivision; 16A.1521; 60A.15, subdivision 1; 62J.041, subdivision 1; 62Q.095, subdivision 6; 92.51; 97A.065, subdivision 2; 214.16, subdivisions 2 and 3; 270.07, subdivision 1; 270.65; 270.67, by adding a subdivision; 270B.01, subdivision 8; 270B.14, subdivision 1, and by adding a subdivision; 271.01, subdivision 5; 271.21, subdivision 2; 272.02, subdivision 1; 272.027; 272.03, subdivision 6; 273.11, subdivisions 1a and 16; 273.111, by adding a subdivision; 273.124, subdivisions 1, 7, 8, 13, 14, and by adding a subdivision; 273.13, subdivisions 22, 23, 24, 25, 31, and by adding a subdivision; 273.1382; 273.1398, subdivisions 2, 8, and by adding a subdivision; 273.1399, subdivision 6; 273.20; 274.01, subdivision 1; 275.065, subdivisions 3, 5a, 6, 8, and by adding a subdivision; 275.07, subdivision 1; 275.71, subdivisions 2, 3, and 4; 276.131; 279.37, subdivisions 1, 1a, and 2; 281.23, subdivisions 2, 4, and 6; 282.01, subdivisions 1, 4, and 7; 282.04, subdivision 2; 282.05; 282.08; 282.09; 282.241; 282.261, subdivision 4, and by adding a subdivision; 283.10; 287.01, subdivision 3, as amended; 287.05, subdivisions 1, as amended, and 1a, as amended; 289A.02, subdivision 7; 289A.18, subdivision 4; 289A.20, subdivision 4; 289A.31, subdivision 2; 289A.40, subdivisions 1 and 1a; 289A.50, subdivision 7, and by adding a subdivision; 289A.56, subdivision 4; 289A.60, subdivisions 3 and 21; 290.01, subdivisions 7, 19, 19a, 19b, 19f, 31, and by adding a subdivision; 290.06, subdivisions 2c, 2d, and by adding subdivisions; 290.0671, subdivision 1; 290.0672, subdivision 1; 290.0674, subdivisions 1 and 2; 290.091, subdivisions 1, 2, and 6; 290.0921, subdivision 5; 290.095, subdivision 3; 290.17, subdivisions 3, 4, and 6; 290.191, subdivisions 2 and 3; 290.9725; 290.9726, by adding a subdivision; 290A.03, subdivisions 3 and 15; 290B.03, subdivision 1; 290B.04, subdivisions 3 and 4; 290B.05, subdivision 1; 291.005, subdivision 1; 295.50, subdivision 4; 295.52, subdivision 7; 295.53, subdivision 1; 295.55, subdivisions 2 and 3; 296A.16, by adding subdivisions; 297A.01, subdivision 15; 297A.15, subdivision 5; 297A.25, subdivisions 9, 11, 63, 73, and by adding subdivisions; 297A.48, by adding a subdivision; 297B.01, subdivision 7; 297B.03; 297E.01, by adding a subdivision; 297E.02, subdivisions 1, 3, 4, and 6; 297F.01, subdivision 23; 297F.17, subdivision 6; 297H.05; 297H.06, subdivision 2; 298.24, subdivision 1; 298.28, subdivision 9a; 299D.03, subdivision 5; 357.021, subdivision 1a; 360.55, by adding a subdivision; 375.192, subdivision 2; 383C.482, subdivision 1; 465.82, by adding a subdivision; 469.169, subdivision 12, and by adding a subdivision; 469.1735, by adding a subdivision; 469.176, subdivision 4g; 469.1763, by adding a subdivision; 469.1771, subdivision 1, and by adding a subdivision; 469.1791, subdivision 3; 469.1813, subdivisions 1, 2, 3, 6, and by adding a subdivision; 469.1815, subdivision 2; 473.249, subdivision 1; 473.252, subdivision 2; 473.253, subdivision 1; 477A.03, subdivision 2; 477A.06, subdivision 1; 485.018, subdivision 5; 487.02, subdivision 2; 487.32, subdivision 3; 487.33, subdivision 5; and 574.34, subdivision 1; Laws 1988, chapter 645, section 3; Laws 1997, chapter 231, article 1, section 19, subdivisions 1 and 3; Laws 1997, chapter 231, article 3, section 9; Laws

1997, First Special Session chapter 3, section 27; Laws 1997, Second Special Session chapter 2, section 6; Laws 1998, chapter 389, article 1, section 1; and Laws 1998, chapter 389, article 8, section 44, subdivisions 5, 6, and 7, as amended; proposing coding for new law in Minnesota Statutes, chapters 16A; 62Q; 256L; 275; 297A; 469; and 473; repealing Minnesota Statutes 1998, sections 13.99, subdivision 86b; 16A.724; 16A.76; 92.22; 144.1484, subdivision 2; 256L.02, subdivision 3; 273.11, subdivision 10; 280.27; 281.13; 281.38; 284.01; 284.02; 284.03; 284.04; 284.05; 284.06; 295.50; 295.51; 295.52; 295.53; 295.54; 295.55; 295.56; 295.57; 295.58; 295.582; 295.59; 297E.12, subdivision 3; 297F.19, subdivision 4; 297G.18, subdivision 4; and 473.252, subdivisions 4 and 5; Laws 1997, chapter 231, article 1, section 19, subdivision 2; and Laws 1998, chapter 389, article 3, section 45.

Senator Moe, R.D. moved that H.F. No. 2420 be laid on the table. The motion prevailed.

### REPORTS OF COMMITTEES

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

#### **Senator Cohen from the Committee on State Government Finance, to which was re-referred**

**S.F. No. 1636:** A bill for an act relating to governmental operations; providing for regulatory relief for local units of government; proposing coding for new law in Minnesota Statutes, chapter 14.

Reports the same back with the recommendation that the bill do pass. Report adopted.

#### **Senator Cohen from the Committee on State Government Finance, to which was re-referred**

**S.F. No. 365:** A bill for an act relating to economic development; imposing a specific standard of proof for certain petrofund reimbursement reductions; providing reimbursement for certain bulk petroleum plants upgrading or closing aboveground storage tanks; modifying application requirements for contamination; cleanup grants; regulating the cleanup of contaminated land; amending Minnesota Statutes 1998, sections 115C.08, subdivision 4; 115C.09, subdivision 3, and by adding a subdivision; 116J.553, subdivision 2; 116J.562, subdivision 2; and 116J.567.

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

Page 5, line 32, strike "(3)" and insert "(5)"

Page 8, after line 24, insert:

"Sec. 7. Minnesota Statutes 1998, section 239.752, is amended to read:

239.752 [STORAGE TANK MARKING; RETAIL LOCATION.]

Subdivision 1. [MARKING REQUIRED.] A person responsible for the product shall securely mount affix a permanent engraved plastic or stamped metal identification tag on the fill pipe of a petroleum product storage tank at a business where petroleum products are sold, offered for sale, or dispensed at retail into the storage tanks of motor vehicles. A bulk storage facility operator shall securely affix a metal identification tag on the fill pipe of each storage tank at the distributor's bulk storage facility. The identification tag must clearly display the grade or trade name of the product stored in the tank. The grade or trade name on the identification tag must be the same as the grade or trade name displayed on the dispensers through which the product is dispensed. The grade or trade name must not be displayed on an access cover over a fill pipe be constructed and printed according to subdivision 2 and installed according to subdivision 3. The identification tag must be printed with the appropriate product identification according to subdivision 4, 5, or 6. This section does not apply to storage tanks at petroleum refineries or terminals.

Subd. 2. [IDENTIFICATION TAG; CONSTRUCTION, PRINTING.] The identification tag required in subdivision 1 must be constructed of one three and one-half inch by three and one-half inch piece of aluminum or stainless steel. All surfaces of the tag must be coated with a permanent enamel paint or powder coating. The coating must be light blue for gasoline and alcohol products and dark green for petroleum distillate products. Lettering must be at least three-eighths of one inch high, and printed on the tag with permanent enamel paint or powder coating. Lettering must be black for gasoline and alcohol products and white for petroleum distillate products.

Subd. 3. [IDENTIFICATION TAG; INSTALLATION.] The identification tag required in subdivision 1 must be securely affixed to a fill pipe by means of an adjustable steel band clamp. The display surface of the tag must be positioned so that the product information can be easily read by a person filling the storage tank.

Subd. 4. [PRODUCT IDENTIFICATION; GASOLINE, OXYGENATED GASOLINE.] An identification tag placed on a storage tank containing gasoline or oxygenated gasoline must be marked with the word "GASOLINE" and with the correct octane number and the appropriate product name of the fuel stored in the tank. The product name must be selected from the following:

- (1) "REGULAR" for oxygenated gasoline of less than 88 octane;
- (2) "MID-GRADE" for oxygenated gasoline of at least 88 octane, but less than 91 octane;
- (3) "PREMIUM" for oxygenated gasoline of at least 91 octane;
- (4) "NON-OXY PREM" for nonoxygenated gasoline of at least 91 octane;
- (5) "AVIATION" for gasoline used solely as a fuel for aircraft;
- (6) "RACING" for a special racing gasoline intended to be sold for use in off-road motor vehicles; or
- (7) "SPECIAL" for gasoline blended with mineral oil or other additives and intended to be sold for use in boats, chainsaws, snowmobiles, or off-road equipment.

Subd. 5. [PRODUCT IDENTIFICATION; ALCOHOL, ALCOHOL-BASED MOTOR FUEL.] An identification tag placed on a storage tank containing unblended alcohol or a predominantly alcohol-based motor fuel must be marked with the word "ALCOHOL" and with the appropriate product name of the fuel stored in the tank. The product name must be selected from the following:

- (1) "ETHANOL" for denatured ethanol, as defined in section 296A.01;
- (2) "METHANOL" for methanol;
- (3) "E-85" for an ethanol-gasoline blend, as defined in section 296A.01; or
- (4) "M-85" for a methanol-gasoline blend, as defined in section 296A.01.

Subd. 6. [PRODUCT INFORMATION; PETROLEUM DISTILLATES.] Storage tanks containing diesel fuel, heating fuel, kerosene, or other petroleum distillate must be marked with the work "DISTILLATE" and with the correct product grade and appropriate tax status selected from the following:

- (1) "#1 DIESEL" "UNDYED" for #1 diesel fuel for which the motor fuel excise tax has been paid;
- (2) "#1" "DYED" for #1 heating fuel or #1 diesel fuel intended to be sold for use in off-road vehicles and equipment;
- (3) "#2 DIESEL" "UNDYED" for #2 diesel fuel for which the motor fuel excise tax has been paid;

(4) "#2" "DYED" for #2 heating fuel or #2 diesel fuel intended to be sold for use in off-road vehicles and equipment;

(5) "DIESEL" "PREMIUM" "UNDYED" for premium diesel fuel for which the motor fuel excise tax has been paid;

(6) "DIESEL" "PREMIUM" "DYED" for premium diesel fuel intended to be sold off-road;

(7) "KEROSENE" "UNDYED" for kerosene for which the federal motor fuel excise tax has been paid;

(8) "KEROSENE" "DYED" for kerosene intended to be sold for use in off-road vehicles, heating equipment, and other off-road equipment; or

(9) "JET/TURBINE" for jet fuel or turbine fuel."

Page 8, line 27, after the period, insert "Section 7 is effective June 1, 2000."

Reorder the sections in sequence

Amend the title as follows:

Page 1, line 8, after the semicolon, insert "specifying the marking required on petroleum product storage tanks;"

Page 1, line 11, delete "and 116J.567" and insert "116J.567; and 239.752"

And when so amended the bill do pass. Amendments adopted. Report adopted.

**Senator Moe, R.D. from the Committee on Rules and Administration, to which was referred**

**H.F. No. 1235** for comparison with companion Senate File, reports the following House File was found not identical with companion Senate File as follows:

GENERAL ORDERS		CONSENT CALENDAR		CALENDAR	
H.F. No.	S.F. No.	H.F. No.	S.F. No.	H.F. No.	S.F. No.
1235	692				

Pursuant to Rule 49, the Committee on Rules and Administration recommends that H.F. No. 1235 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 1235 and insert the language after the enacting clause of S.F. No. 692, the first engrossment; further, delete the title of H.F. No. 1235 and insert the title of S.F. No. 692, the first engrossment.

And when so amended H.F. No. 1235 will be identical to S.F. No. 692, and further recommends that H.F. No. 1235 be given its second reading and substituted for S.F. No. 692, and that the Senate File be indefinitely postponed.

Pursuant to Rule 49, this report was prepared and submitted by the Secretary of the Senate on behalf of the Committee on Rules and Administration. Amendments adopted. Report adopted.

**Senator Johnson, D.J. from the Committee on Taxes, to which was re-referred**

**S.F. No. 2242:** A bill for an act relating to education; prekindergarten through grade 12; providing for general education, special programs, lifelong learning, facilities and technology, education excellence, other programs, education policy, libraries, and state agencies; repealing, modifying, and expanding certain education provisions; providing for rulemaking; appropriating money; amending Minnesota Statutes 1998, sections 13.46, subdivision 2; 41D.02, subdivision 2;

120A.05, by adding subdivisions; 120A.22, subdivisions 1 and 5; 120A.24, subdivision 1; 120A.40; 120B.11, subdivision 5; 120B.30, subdivision 1; 120B.35; 121A.06; 121A.11, subdivision 1; 121A.15; 121A.23, subdivision 1; 121A.26; 121A.27; 121A.28; 121A.29, subdivision 1; 121A.32, subdivision 1; 121A.34; 121A.41, subdivision 10; 121A.43; 121A.55; 121A.61, subdivision 1; 121A.69, subdivision 3; 122A.09, subdivisions 4 and 6; 122A.15; 122A.18, by adding subdivisions; 122A.19, subdivision 4; 122A.20, subdivisions 1 and 2; 122A.21; 122A.22; 122A.26, by adding a subdivision; 122A.28; 122A.40, subdivisions 3, 5, 7, 8, 10, 16, and 19; 122A.41, subdivisions 4 and 15; 122A.51; 122A.58, subdivision 1; 122A.60, subdivisions 1 and 3; 122A.68, subdivisions 1 and 7; 122A.69; 122A.70, subdivision 2; 122A.91; 122A.92; 123A.05, subdivisions 2, 3, and by adding a subdivision; 123A.06, subdivisions 1 and 2; 123A.48, subdivision 10; 123B.02, subdivisions 1, 2, and 3; 123B.04, subdivisions 2 and 5; 123B.09, subdivision 8; 123B.143, subdivision 1; 123B.195; 123B.36, subdivision 1; 123B.43; 123B.445; 123B.49, subdivisions 1 and 4; 123B.51, subdivisions 1 and 5; 123B.53; 123B.54; 123B.57, subdivision 1; 123B.58, subdivisions 3 and 4; 123B.59; 123B.61; 123B.63, subdivisions 3 and 4; 123B.73, subdivision 1; 123B.75, by adding a subdivision; 123B.77, subdivision 4; 123B.83, subdivisions 1 and 4; 123B.90, subdivisions 1, 2, and 3; 123B.91, subdivision 1; 123B.92, subdivisions 2, 4, and 9; 124D.02, subdivision 1; 124D.03, subdivision 3, and by adding a subdivision; 124D.081, subdivisions 3 and 8; 124D.09, subdivisions 5, 6, 7, and 12; 124D.10, subdivisions 1, 3, 4, 5, 6, 11, 15, and 19; 124D.11, subdivisions 1, 4, 6, and by adding a subdivision; 124D.115, subdivision 3; 124D.118, subdivisions 2 and 3; 124D.135, subdivision 3; 124D.20, subdivision 5; 124D.22, subdivision 3; 124D.28, subdivision 1; 124D.29, by adding a subdivision; 124D.30, subdivision 3; 124D.34, subdivision 4; 124D.35; 124D.37; 124D.40, subdivision 2; 124D.41; 124D.42, subdivision 7; 124D.453, subdivisions 3 and 5; 124D.454, subdivision 5; 124D.46, subdivision 1; 124D.47, subdivision 2; 124D.49, subdivision 3; 124D.52, by adding a subdivision; 124D.65, subdivisions 1, 4, 5, and 6; 124D.68, subdivision 9; 124D.69, subdivision 1; 124D.70; 124D.74, subdivision 1; 124D.86, subdivisions 1 and 3; 124D.88, subdivisions 2 and 3; 124D.89, subdivision 1; 124D.892; 124D.894; 124D.90; 124D.94, subdivisions 2, 3, and 4; 125A.023; 125A.027; 125A.03; 125A.07; 125A.08; 125A.09, subdivisions 1, 4, 6, and 11; 125A.10; 125A.15; 125A.18; 125A.21, subdivision 2; 125A.24; 125A.30; 125A.33; 125A.44; 125A.50, subdivisions 2 and 5; 125A.51; 125A.52, subdivision 1; 125A.62; 125A.64; 125A.65, subdivisions 3, 5, 6, 7, 8, and 10; 125A.68, subdivision 1; 125A.69, subdivisions 1 and 3; 125A.70, subdivision 2; 125A.71, subdivision 3; 125A.72; 125A.73; 125A.744, subdivision 3; 125A.75, subdivisions 3 and 8; 125A.76, subdivisions 1, 2, 4, and 5; 125A.79, subdivisions 1, 2, 4, and by adding subdivisions; 125B.05; 125B.20; 126C.05, subdivisions 1, 3, 5, 6, and 7; 126C.10, subdivisions 1, 2, 4, 5, 6, 7, 8, 9, 10, 13, 14, 18, 19, 20, 21, and by adding subdivisions; 126C.12, subdivisions 1 and 4; 126C.13, subdivisions 1 and 2; 126C.15, subdivisions 1 and 2; 126C.17, subdivisions 1, 2, 4, 5, 6, and 9; 126C.22, subdivision 2; 126C.31; 126C.40, subdivisions 1, 2, 3, 4, and 6; 126C.41, subdivision 2; 126C.42, subdivisions 1 and 2; 126C.44; 126C.46; 126C.48, subdivision 8; 126C.55, by adding a subdivision; 126C.63, subdivisions 5 and 8; 126C.69, subdivisions 2, 9, and 15; 127A.05, subdivisions 1, 3, and 4; 127A.06; 127A.41, subdivisions 5 and 7; 127A.42, subdivisions 2, 5, and 6; 127A.44, subdivision 2; 127A.45, subdivisions 2, 3, 5, and by adding a subdivision; 127A.47, subdivisions 1, 2, 7, and 8; 127A.49, subdivisions 2 and 3; 127A.51; 127A.60, subdivision 1; 127A.66, subdivision 2; 128C.01, subdivision 4; 128C.02, by adding a subdivision; 128C.12, subdivision 1; 128C.20, subdivisions 1 and 2; 129C.10, subdivision 3, and by adding a subdivision; 136D.281, subdivision 4; 136D.741, subdivision 4; 136D.88, subdivision 4; 169.01, subdivision 6; 169.03, subdivision 6; 171.3215, subdivisions 2 and 4; 181.101; 209.07, by adding a subdivision; 241.021, subdivision 1; 245A.04, by adding a subdivision; 272.02, subdivision 8; and 626.556, subdivision 10b, and by adding a subdivision; Laws 1992, chapter 499, article 7, section 31, as amended; Laws 1993, chapter 224, article 3, section 32, as amended; Laws 1995, First Special Session chapter 3, article 12, section 7, as amended; Laws 1996, chapter 412, article 1, section 35; Laws 1997, First Special Session chapter 4, article 1, section 61, subdivisions 1, 2, 3, as amended, and 4; Laws 1997, First Special Session chapter 4, article 2, sections 48 and 51, subdivision 29, as amended; Laws 1997, First Special Session chapter 4, article 3, section 25, subdivision 6; Laws 1997, First Special Session chapter 4, article 5, section 22; Laws 1997, First Special Session chapter 4, article 8, section 4; Laws 1997, First Special Session chapter 4, article 9, sections 6, 7, subdivision 2, and 13; Laws 1998, chapter 398, article 2, section 53; Laws 1998, chapter 398, article 9, section 7; and Laws 1998, chapter 404, section 5, subdivision 5; proposing coding for new law in Minnesota



Statutes, chapters 121A; 122A; 123A; 123B; 124D; 125A; 126C; 127A; and 128C; repealing Minnesota Statutes 1998, sections 119A.04, subdivision 5; 120A.41; 120B.05; 120B.10; 120B.11, subdivisions 3, 4, and 7; 120B.24; 121A.03, subdivision 3; 121A.11, subdivision 2; 121A.16; 121A.23, subdivision 2; 121A.32, subdivisions 2, 4, and 5; 121A.41, subdivision 3; 122A.162; 122A.19, subdivisions 2 and 4; 122A.32; 122A.33; 122A.40, subdivision 6; 122A.42; 122A.43, subdivisions 1, 2, 3, 4, and 6; 122A.45; 122A.49; 122A.52; 122A.53; 122A.54; 122A.55; 122A.56; 122A.57; 122A.71; 122A.72; 122A.75; 123A.06, subdivisions 1 and 3; 123A.07; 123A.15, subdivision 1; 123A.44; 123A.441; 123A.442; 123A.443; 123A.444; 123A.445; 123A.446; 123B.02, subdivisions 5, 6, 9, 10, 11, 13, and 16; 123B.04, subdivision 4; 123B.11; 123B.147, subdivisions 1 and 3; 123B.15; 123B.16; 123B.17; 123B.18; 123B.19; 123B.40; 123B.49, subdivisions 2 and 3; 123B.51, subdivisions 2, 3, and 4; 123B.57, subdivisions 4, 5, and 7; 123B.58; 123B.59, subdivision 7; 123B.63, subdivisions 1 and 2; 123B.64; 123B.66; 123B.67; 123B.68; 123B.69; 123B.744; 123B.84; 123B.87; 123B.88, subdivisions 11, 12, 13, 18, 20, 21, and 22; 123B.89; 123B.92, subdivisions 6, 7, 8, and 10; 123B.93; 123B.95, subdivision 3; 124D.02, subdivisions 2, 3, and 4; 124D.03, subdivisions 5, 7, 9, and 10; 124D.06; 124D.07; 124D.081, subdivisions 1 and 7; 124D.09, subdivisions 2, 8, 25, and 26; 124D.10, subdivision 13; 124D.112; 124D.113; 124D.115, subdivisions 1 and 2; 124D.116; 124D.118, subdivision 1; 124D.12; 124D.121; 124D.122; 124D.123; 124D.124; 124D.125; 124D.126; 124D.127; 124D.128, subdivisions 1, 2, 3, 4, 5, 6, and 7; 124D.31; 124D.34, subdivision 5; 124D.43; 124D.453, subdivision 1; 124D.46, subdivision 3; 124D.47, subdivision 1; 124D.50, subdivisions 1, 2, and 3; 124D.60, subdivision 3; 124D.65, subdivisions 1, 2, 3, 8, 9, and 10; 124D.67; 124D.68, subdivision 1; 124D.72; 124D.81, subdivision 7; 124D.88, subdivision 1; 124D.895; 124D.90, subdivision 5; 124D.91; 124D.92; 124D.93; 125A.76, subdivision 6; 125A.77; 125A.79, subdivision 3; 125B.02; 125B.07, subdivisions 1, 3, and 5; 125B.09; 125B.11; 126C.05, subdivision 4; 126C.06; 127A.05, subdivision 5; 127A.41, subdivisions 4, 8, and 9; 127A.42, subdivision 8; 127A.60, subdivisions 2, 3, and 4; 127A.61; 127A.62, subdivision 2; 127A.64; and 127A.66, subdivision 1; Laws 1995, First Special Session chapter 3, article 3, section 11; Laws 1997, First Special Session chapter 4, article 1, section 62, subdivision 5; Laws 1997, First Special Session chapter 4, article 2, section 51, subdivision 10; and Laws 1998, chapter 398, article 2, sections 53 and 57; Minnesota Rules, parts 3500.3900; 3500.4000; 3500.4100; 3500.4200; 3500.4300; and 3525.2470.

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

Page 61, line 5, delete "\$3,950,000" and insert "\$5,350,000"

Page 61, line 7, delete "\$2,550,000" and insert "\$3,950,000"

Page 61, after line 22, insert:

"(c) This appropriation is available until June 30, 2001."

Page 62, after line 8, insert:

"Subd. 13. [MARGINAL COST TRANSITION GRANTS.] (a) For marginal cost transition grants to school districts affected by the change to marginal cost pupil units:

<u>\$3,085,000</u>	.....	<u>2000</u>
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Of this amount:

- (1) \$10,000 is for a grant to independent school district No. 12, Centennial;
- (2) \$50,000 is for a grant to independent school district No. 94, Cloquet;
- (3) \$120,000 is for a grant to independent school district No. 97, Moose Lake;
- (4) \$60,000 is for a grant to independent school district No. 51, Foley;
- (5) \$75,000 is for a grant to independent school district No. 138, North Branch;
- (6) \$300,000 is for a grant to independent school district No. 196, Rosemount-Apple Valley-Eagan;

- (7) \$10,000 is for a grant to independent school district No. 227, Chatfield;  
(8) \$20,000 is for a grant to independent school district No. 333, Ogilvie;  
(9) \$15,000 is for a grant to independent school district No. 361, International Falls;  
(10) \$10,000 is for a grant to independent school district No. 403, Ivanhoe;  
(11) \$40,000 is for a grant to independent school district No. 463, Eden Valley-Watkins;  
(12) \$250,000 is for a grant to independent school district No. 466, Dassel-Cokato;  
(13) \$135,000 is for a grant to independent school district No. 482, Little Falls;  
(14) \$30,000 is for a grant to independent school district No. 484, Pierz;  
(15) \$10,000 is for a grant to independent school district No. 547, Parkers Prairie;  
(16) \$40,000 is for a grant to independent school district No. 553, New York Mills;  
(17) \$25,000 is for a grant to independent school district No. 577, Willow River;  
(18) \$15,000 is for a grant to independent school district No. 584, Ruthton;  
(19) \$15,000 is for a grant to independent school district No. 630, Red Lake Falls;  
(20) \$210,000 is for a grant to independent school district No. 700, Hermantown;  
(21) \$20,000 is for a grant to independent school district No. 707, Nett Lake;  
(22) \$85,000 is for a grant to independent school district No. 721, New Prague;  
(23) \$400,000 is for a grant to independent school district No.748, Sartell;  
(24) \$920,000 is for a grant to independent school district No. 831, Forest Lake;  
(25) \$10,000 is for a grant to independent school district No. 879, Delano;  
(26) \$10,000 is for a grant to independent school district No. 881, Maple Lake;  
(27) \$20,000 is for a grant to independent school district No. 882, Monticello;  
(28) \$30,000 is for a grant to independent school district No. 883, Rockford;  
(29) \$125,000 is for a grant to independent school district No. 885, St. Michael-Albertville;  
(30) \$15,000 is for a grant to independent school district No. 2149, Minnewaska; and  
(31) \$10,000 is for a grant to independent school district No. 2155, Wadena-Deer Creek.  
(b) This appropriation is available until June 30, 2001."

Page 139, line 8, delete "\$6,000,000" and insert "\$5,200,000"

Page 181, delete lines 27 to 33

Page 195, line 22, delete "\$7,850,000" and insert "\$6,850,000"

Page 197, line 20, delete "\$16,037,000" and insert "\$13,668,000"

Page 198, line 34, delete "\$6,750,000" and insert "\$2,500,000"

Page 262, after line 21, insert:

"\$400,000 each year is for the Collaborative Urban Educators Program at St. Thomas

University; and \$500,000 each year is for the South East Asia Teachers Program at Concordia College."

Page 263, line 24, delete "\$765,000" and insert "\$690,000"

Page 263, line 25, delete "\$615,000" and insert "\$690,000"

And when so amended the bill do pass. Amendments adopted. Report adopted.

**Senator Langseth from the Committee on Education Finance, to which was re-referred**

**S.F. No. 1058:** A bill for an act relating to capital improvements; authorizing spending to acquire and better public land and buildings and other public improvements of a capital nature; appropriating money to the Minnesota state colleges and universities to demolish structures, eliminate blight, and construct parking facilities and provide security lighting; authorizing state bonds; authorizing the board of trustees of the Minnesota state colleges and universities to accept money to demolish buildings and construct parking lots and to contract to repay the money; authorizing the city of Moorhead to issue bonds.

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

Delete everything after the enacting clause and insert:

"Section 1. [CAPITAL IMPROVEMENT APPROPRIATIONS.]

The sums in the column under "APPROPRIATIONS" are appropriated from the bond proceeds fund, or another named fund, to the state agencies or officials indicated, to be spent for public purposes including to acquire and to better public land and buildings and other public improvements of a capital nature, as specified in this act. Unless otherwise specified, the appropriations in this act are available until the project is completed or abandoned.

SUMMARY

MINNESOTA STATE COLLEGES AND UNIVERSITIES	\$	3,730,000
CHILDREN, FAMILIES, AND LEARNING		49,155,000
NATURAL RESOURCES		24,723,000
OFFICE OF ENVIRONMENTAL ASSISTANCE		3,000,000
PUBLIC FACILITIES AUTHORITY		32,200,000
BOARD OF WATER AND SOIL RESOURCES		3,750,000
TRANSPORTATION		13,000,000
VETERANS NURSING HOME BOARD		4,700,000
CORRECTIONS		1,785,000
TRADE AND ECONOMIC DEVELOPMENT		5,000,000
COMMERCE		200,000
BOND SALE EXPENSES		147,000
TOTAL	\$	141,390,000
Bond Proceeds Fund		91,485,000
Maximum Effort School Loan Fund		39,905,000
Transportation Fund		10,000,000
		APPROPRIATIONS
	\$	

Sec. 2. MINNESOTA STATE  
COLLEGES AND UNIVERSITIES

Moorhead State University  
Blight Elimination

3,730,000

This appropriation is to demolish structures, eliminate blight, and construct parking facilities and necessary amenities on certain recently acquired land at Moorhead state university.

Sec. 3. CHILDREN, FAMILIES, AND LEARNING

Subdivision 1. To the commissioner of children, families, and learning for the purposes specified in this section

49,155,000

Subd. 2. Maximum Effort  
School Loans

39,905,000

This appropriation is from the maximum effort school loan fund to make capital loans to school districts for which loans are approved in this section as provided in Minnesota Statutes, sections 126C.61 to 126C.72.

The commissioner shall make capital loans to independent school district No. 38, Red Lake, in the amount of \$11,166,000; to independent school district No. 115, Cass Lake, in the amount of \$7,505,000; to independent school district No. 299, Caledonia, in the amount of \$14,134,000; and to independent school district No. 306, LaPorte, in the amount of \$7,100,000. Capital loans to these districts in these amounts are approved.

The commissioner of children, families, and learning shall complete the review and comment process according to Minnesota Statutes, section 126C.69, subdivisions 3, 4, 5, and 8, for the projects approved in this subdivision. For the purposes of Minnesota Statutes, section 126C.69, subdivision 3, the project in the Caledonia school district is considered to meet the requirement that the district will serve, on average, at least 80 pupils per grade.

The commissioner shall review the proposed plan and budget of the projects approved in this subdivision and may reduce the amount of a loan to ensure that a project will be economical. The commissioner may recover the cost incurred by the commissioner for any professional services associated with the final review by reducing the proceeds of the loan paid to a district.

Subd. 3. Metropolitan  
Magnet School Grants

9,250,000

This appropriation is to make grants under Minnesota Statutes, section 124D.88.

\$7,000,000 is for a grant to the Southwest Metropolitan Integration magnet school in Edina.

\$2,250,000 is for a grant to the Interdistrict Arts and Science Middle School in the east metropolitan area.

#### Sec. 4. NATURAL RESOURCES

##### Flood Hazard Mitigation Grants

24,723,000

This appropriation is to the commissioner of natural resources for the local share of flood hazard mitigation grants to local government units for publicly owned capital improvements to prevent or alleviate flood damages under Minnesota Statutes, section 103F.161. The local governments include the cities of Ada, Breckenridge, Crookston, Dawson, East Grand Forks, Granite Falls, Montevideo, St. Paul, and Warren, and the town of Oakport.

#### Sec. 5. OFFICE OF ENVIRONMENTAL ASSISTANCE

##### Solid Waste Recovery Center

3,000,000

This appropriation is to the director of the office of environmental assistance for a grant under Minnesota Statutes, section 115A.54, to Ottertail county to retrofit and reconstruct a solid waste resource recovery facility in the city of Perham that serves a seven-county area. The appropriation is available until June 30, 2001.

#### Sec. 6. PUBLIC FACILITIES AUTHORITY

Subdivision 1. To the public facilities authority for the purposes specified in this section

32,200,000

Subd. 2. Matching Money for Federal Grants

2,200,000

For state matching money for federal grants to capitalize the drinking water fund under Minnesota Statutes, section 446A.081.

Subd. 3. Wastewater Infrastructure Program

30,000,000

For grants to eligible municipalities under the wastewater infrastructure funding program established in Minnesota Statutes, section 446A.072.

#### Sec. 7. BOARD OF WATER AND SOIL RESOURCES

Subdivision 1. To the board of water and soil resources for the purposes specified in this section

3,750,000

Subd. 2. Lazarus Creek

1,500,000

For a grant to Area II Minnesota River Basin Projects, Inc. for construction of the LQP-25/Lazarus Creek floodwater retention project. The grant may not exceed 75 percent of the project's cost. The remaining 25 percent must be matched by Area II Minnesota River Basin Projects, Inc.

Subd. 3. Grass Lake  
Restoration

2,250,000

For a grant to the city of Willmar and Kandiyohi county to construct stormwater flood reduction and water quality improvements related to the restoration of Grass Lake.

#### Sec. 8. TRANSPORTATION

Subdivision 1. To the commissioner of transportation for the purposes specified in this section

13,000,000

Subd. 2. Local Bridge  
Replacement and Rehabilitation

10,000,000

This appropriation is from the state transportation fund as provided in Minnesota Statutes, section 174.50, to match federal funds and to replace or rehabilitate local deficient bridges.

Political subdivisions may use grants made under this section to construct or reconstruct bridges, including:

- (1) matching federal aid grants to construct or reconstruct key bridges;
- (2) paying the costs of preliminary engineering and environmental studies authorized under Minnesota Statutes, section 174.50, subdivision 6a;
- (3) paying the costs to abandon an existing bridge that is deficient and in need of replacement, but where no replacement will be made; and
- (4) paying the costs to construct a road or street to facilitate the abandonment of an existing bridge determined by the commissioner to be deficient, if the commissioner determines that construction of the road or street is more cost efficient than the replacement of the existing bridge.

Subd. 3. Port Development Assistance

3,000,000

For port development assistance grants to political subdivisions for capital improvements constructed after the effective date of this

appropriation under Minnesota Statutes, sections 457A.01 to 457A.06. Any improvements made with these grants must be publicly owned.

Sec. 9. VETERANS NURSING HOMES BOARD

Luverne Veterans Home 4,700,000

This appropriation is to the commissioner of administration to abate and repair the Luverne veterans home to resolve a moisture and mold problem. Any money received from the federal government or as a result of litigation to correct this problem must be deposited in the state treasury and credited to the state bond fund.

Sec. 10. CORRECTIONS

Faribault Sewer System 1,785,000

This appropriation is to the commissioner of administration for capital repairs to the storm and sanitary sewer system of the Minnesota correctional facility-Faribault.

Sec. 11. TRADE AND ECONOMIC DEVELOPMENT

Empowerment Zone Match 5,000,000

This appropriation is to the commissioner of trade and economic development for a grant to the metropolitan council to be used as the local match for a federal empowerment zone designation grant awarded in 1999. The grant must be used to acquire and better public land and buildings and other public improvements of a capital nature.

Sec. 12. BOND SALE EXPENSES 147,000

To the commissioner of finance for bond sale expenses under Minnesota Statutes, section 16A.641, subdivision 8. This appropriation is from the bond proceeds fund.

Sec. 13. [BOND SALE AUTHORIZATIONS.]

Subdivision 1. [BOND PROCEEDS FUND.] To provide the money appropriated in this act from the bond proceeds fund, the commissioner of finance, on request of the governor, shall sell and issue bonds of the state in an amount up to \$91,485,000 in the manner, upon the terms, and with the effect prescribed by Minnesota Statutes, sections 16A.631 to 16A.675, and by the Minnesota Constitution, article XI, sections 4 to 7.

Subd. 2. [MAXIMUM EFFORT SCHOOL LOAN FUND.] To provide the money appropriated in this act from the maximum effort school loan fund, the commissioner of finance, on request of the governor, shall sell and issue bonds of the state in an amount up to \$39,905,000 in the manner, upon the terms, and with the effect prescribed by Minnesota Statutes, sections 16A.631 to 16A.675, and by the Minnesota Constitution, article XI, sections 4 to 7. The proceeds of the bonds, except accrued interest and any premium received on the sale of the bonds, must be credited to a bond proceeds account in the maximum effort school loan fund.

Subd. 3. [TRANSPORTATION FUND.] To provide the money appropriated in this act from

the transportation fund, the commissioner of finance, on request of the governor, shall sell and issue bonds of the state in an amount up to \$10,000,000 in the manner, upon the terms, and with the effect prescribed by Minnesota Statutes, sections 16A.631 to 16A.675, and by the Minnesota Constitution, article XI, sections 4 to 7. The proceeds of the bonds, except accrued interest and any premium received on the sale of the bonds, must be credited to a bond proceeds account in the state transportation fund.

Subd. 4. [AGRICULTURAL RESOURCE LOAN GUARANTEES.] For the purpose of developing the state's agricultural resources by extending credit on real estate security, to guarantee the timely payment of a portion of the principal of and the interest on mortgage loans made by private lenders to qualified operators of family farms to restructure existing debt, or to refund bonds issued for that purpose, the commissioner of finance upon request of the governor may issue bonds of the state in one or more series, in an aggregate principal amount to be outstanding, not exceeding \$200,000. The bonds of each series shall be sold and issued to a trustee for participating lenders in the manner, upon the terms, and with the effect provided in sections 41A.11 to 41A.16 and in the Minnesota Constitution, article XI, sections 5 and 7.

Sec. 14. [BOND REAUTHORIZATIONS.]

The following bond authorizations, which have been reported to the legislature according to Minnesota Statutes, section 16A.642, subdivision 1, are reauthorized, and do not cancel under the terms of that subdivision:

(1) an amount remaining of \$4,078,196.35 for appropriations from the state transportation fund for railroad assistance, authorized in Laws 1984, chapter 597, section 22;

(2) an amount remaining of \$414,786.89 for appropriations from the bond proceeds fund for labor history center planning and design authorized in Laws 1990, chapter 610, article 1, section 30, subdivision 1;

(3) an amount remaining of \$198,666.40 for appropriations from the bond proceeds fund for labor history center design competition authorized in Laws 1990, chapter 610, article 1, section 30, subdivision 1;

(4) an amount remaining of \$321,071.22 for appropriations from the bond proceeds fund for the water bank program authorized in Laws 1990, chapter 610, article 1, section 30, subdivision 1 ; and

(5) an amount remaining of \$484,270.96 for appropriations from the bond proceeds fund for conservation easements on wetlands authorized in Laws 1991, chapter 354, article 11, section 2, subdivision 1.

Sec. 15. Minnesota Statutes 1998, section 16A.642, subdivision 1, is amended to read:

Subdivision 1. [REPORTS.] (a) The commissioner of finance shall report to the chairs of the senate committee on finance and the house of representatives committees on ways and means and on capital investment by February 1 of each odd-numbered year on the following:

(1) all laws authorizing the issuance of state bonds for state or local government building projects enacted more than five years before February 1 of that odd-numbered year; the projects authorized to be acquired and constructed with the bond proceeds for which less than 100 percent of the authorized total cost has been expended, encumbered, or otherwise obligated; the cost of contracts to be let in accordance with existing plans and specifications shall be considered expended for this report; and the amount of bonds not issued and bond proceeds held but not previously expended, encumbered, or otherwise obligated for these projects; and

(2) all laws authorizing the issuance of state bonds for state or local government programs or projects other than those described in clause (1), enacted more than five years before February 1 of that odd-numbered year; and the amount of bonds not issued and bond proceeds held but not previously expended, encumbered, or otherwise obligated for these programs and projects.



(b) The commissioner shall also report on bond authorizations or bond proceed balances that may be canceled because projects have been canceled, completed, or otherwise concluded, or because the purposes for which the bonds were authorized or issued have been canceled, completed, or otherwise concluded.

(c) The bond authorizations or bond proceed balances that are unencumbered or otherwise not obligated that are reported by the commissioner under this subdivision are canceled, effective July 1 and are not encumbered or obligated by June 30 of the year of the report are canceled on that date, unless specifically reauthorized by act of the legislature. If bonds for a project or program are reauthorized, the time limits in paragraph (a) run from the date of reauthorization.

Sec. 16. [41A.11] [PURPOSE.]

Sections 41A.11 to 41A.16 establish a program under which state bonds are authorized to be issued and the proceeds of their sale are appropriated, with other funds, under the authority of article XI, section 5, clause (h) of the Minnesota Constitution, to develop the state's agricultural resources by extending credit on real estate security. The purpose of the bonds is to guarantee timely payment of a portion of the principal and the interest of mortgage loans to be made available by private investors to qualified operators of family farms, in order to restructure existing long-term debt so that annual interest may be paid from a portion of current cash flow for a period of years after which the debt may be refinanced from other sources at a lower ratio of debt to the then value. The restructuring is necessitated in many cases by the emergency conditions presently affecting the farm economy: recent decreases in the market value of farm land and the prices of farm products; reduction of federal price support and loan programs, and the quantity and high cost and short term of financing of equipment and supplies needed for intensive farming. The object is to induce the loan from private sources of the full amount needed to restructure and refinance the farmer's existing long-term debt, not exceeding the productive value of the land based on those prices and yields, by providing for investors a minimum guaranteed yield, return of a portion of principal, and a prospective yield and share of appreciation in excess of the guaranteed principal and interest, depending on the maintenance and increase of revenues and land values at historic rates over a reasonable period. The repayment of all amounts advanced by the state with respect to the guaranteed portion of principal and interest of each mortgage loan shall be secured by the mortgage and other security interests securing the mortgage loan.

Sec. 17. [41A.12] [DEFINITIONS.]

Subdivision 1. [APPLICATION.] The definition of each term given in this section applies whenever the term is used in sections 41A.11 to 41A.16.

Subd. 2. [FARM.] "Farm" means real property constituting a family farm as defined in section 500.24, subdivision 2, paragraph (b), and as described in the mortgage documents relating to a mortgage loan.

Subd. 3. [FARMER.] "Farmer" means one or more individuals owning a farm, or a "family farm corporation" or "authorized farm corporation" as those terms are defined in section 500.24, subdivision 2, paragraphs (b) to (d).

Subd. 4. [GUARANTEED INTEREST RATE.] "Guaranteed interest rate" means the minimum interest rate or a higher annual rate of interest on a mortgage loan, as approved by the commissioner of commerce, the payment of which is guaranteed by the state.

Subd. 5. [GUARANTIES.] "Guaranties" mean written orders executed by the commissioner of finance on behalf of the state when authorized by the commissioner of commerce, providing for the sale and issuance of state bonds to the trustee for lenders purchasing mortgage loans approved by the commissioner of commerce, in amounts not exceeding in the aggregate the amounts from time to time authorized by law, for the purpose of funding the guaranteed portions of the principal and of the interest of the mortgage loans.

Subd. 6. [MAXIMUM ANNUAL PAYMENT.] "Maximum annual payment" means the maximum amount payable by a farmer as current interest on a mortgage loan in each 12-month

period, approved by the commissioner of commerce as a fixed percentage of the actual gross receipts from the operation of the farm during that period.

Subd. 7. [MINIMUM INTEREST RATE.] "Minimum interest rate" means the minimum annual rate of interest payable under the terms of a mortgage loan.

Subd. 8. [MORTGAGE LOAN.] "Mortgage loan" means a loan to a farmer purchased by the trustee and secured by a first mortgage on a farm, or by a first mortgage for the guaranteed portion and a second mortgage for the remainder of the mortgage loan, including security interests in all real and personal property refinanced.

Subd. 9. [MORTGAGE LOAN COSTS.] "Mortgage loan costs" mean the sum of all amounts to be paid or incurred from the proceeds of a mortgage loan as approved by the commissioner of commerce, not exceeding in the aggregate the productive value of the land according to an estimate approved by the commissioner of commerce.

Subd. 10. [PRODUCTIVE VALUE.] "Productive value" of a farm means that amount which, invested at simple interest, would produce an annual rate equal to the target rate.

Subd. 11. [PROGRAM ADMINISTRATOR.] "Program administrator" means a qualified private mortgage banking firm, approved by the trustee and the commissioner of commerce to review mortgage documents and servicers' reports, receive and disburse mortgage loan payments, and administer and enforce mortgage loans on behalf of the trustee, as mortgagee of record or otherwise.

Subd. 12. [SERVICER.] "Servicer" means a bank or other lending institution, which may be an existing creditor whose debt is repaid from the proceeds of a mortgage loan, agreeing with the trustee to bill and remit mortgage loan interest and principal, to verify the facts on which computations of interest and appreciation are based, and to assist the farmer in arranging private refinancing of the mortgage loan or sale of the farm prior to maturity.

Subd. 13. [TARGET RATE.] "Target rate" means an annual rate of interest equal to the prospective current return necessary, in the opinion of the underwriters, to induce the investment of risk capital by lenders in mortgage loans.

#### Sec. 18. [41A.13] [MORTGAGE LOAN GUARANTEES.]

Subdivision 1. [AUTHORITY; LIMITATION ON GUARANTY.] Subject to sections 41A.11 to 41A.16, the state may guarantee and commit to guarantee against loss an amount not exceeding 65 percent of the total principal amount of each of a pool or pools of mortgage loans to farmers to restructure and refinance existing farm debt, together with interest at a stated guaranteed rate on the total principal amount of the mortgage loan (equal to a correspondingly higher rate on the guaranteed portion of principal). The guaranty shall be made by the sale and issuance at par, to the trustee for the holders of units of participation in the pool of mortgage loans to be made and guaranteed, of bonds of the state in a principal amount equal to the guaranteed portion of principal of the pool, and bearing interest at a rate sufficient to produce the guaranteed rate on the entire principal amount, as approved by the commissioner of commerce. The proceeds of the bonds shall be deposited by the state treasurer with the trustee, to be held in trust solely for the purchase of the guaranteed portion of the principal of mortgage loans made in accordance with the provisions of this section, of which the remaining portion is purchased from other funds deposited by investors.

Subd. 2. [PLANNING.] The commissioner of finance shall cause to be prepared for the commissioner of commerce a tentative plan for the guaranteed financing of one or more pools of mortgage loans.

Subd. 3. [REFINANCING PROPOSALS.] After approving a tentative plan, the commissioner of commerce shall cause copies of the plan and application to be made available to farmers, to banking institutions, federal instrumentalities, and other organizations.

Subd. 4. [RULES.] The commissioner of commerce shall adopt rules for the implementation of the program.

Subd. 5. [PRIVACY.] Information regarding lenders and farmers contained in records of the trustee and in applications and mortgage loan documents is nonpublic data under section 13.02, subdivision 9, or private data on individuals under section 13.02, subdivision 12, as applicable. The information is open only to the subject of it, except as disclosure is:

(1) necessary for the trustee, the commissioner of finance, the treasurer, or the legislative auditor to perform a duty in accordance with state or federal law or for the underwriter to prepare and offer the investment trust interests;

(2) requested by an authorized representative of the state commissioner of revenue, the state attorney general, or the United States commissioner of internal revenue to determine the application of a tax; or

(3) required under section 13.03, subdivision 4.

Sec. 19. [41A.14] [MORTGAGE LOAN TERMS.]

Subdivision 1. [PRINCIPAL.] The total principal amount of the mortgage loan must not exceed mortgage costs and must not exceed the productive value of the farm, as determined by the commissioner of commerce.

Subd. 2. [INTEREST.] The mortgage loan shall bear interest at a minimum annual rate approved by the commissioner of commerce plus additional interest which, added to interest at the minimum rate, equals in each year the maximum annual payment.

Subd. 3. [COMPUTATION AND PAYMENT OF INTEREST.] Not less than the minimum annual rate shall be payable on each interest payment date. In advance of the first half of each calendar year, the farmer must furnish for verification by the servicer a statement of the gross receipts from the operation of the farm during the preceding 12 months (or during the period since disbursement if less than 12 months), including, with cash receipts, the value at current prices of any products of the operation which the farmer has used or has then stored for future sale and excluding the value of stored products included in the previous statement, and must pay to the servicer on or before that date the maximum annual amount.

Subd. 4. [APPRECIATION.] The mortgage loan documents may provide that in consideration of the mortgage loan the mortgagee shall also be entitled to receive a share in any appreciation of the farm in value, at the maturity or upon prepayment of the mortgage loan, in excess of the productive value as originally determined.

Subd. 5. [SERVICER.] Servicing contracts, subject to approval by the commissioner of commerce, may provide for servicing fees to be added to required interest payments.

Subd. 6. [DISBURSEMENT.] The principal amount of each mortgage loan, when available for funding as part of a pool financed pursuant to sections 41A.15 and 41A.16, must be disbursed solely to pay approved mortgage loan costs.

Sec. 20. [41A.15] [OFFERING TO LENDERS.]

Upon approval of each mortgage loan, the commissioner of commerce shall forward mortgage documents to the servicer for completion and to assemble a pool for the offering of participation interests in the trust, based on the aggregate amount of the portions of the principal of each mortgage loan which the commissioner has determined shall be guaranteed.

Sec. 21. [41A.16] [STATE BONDS.]

Subdivision 1. [CONDITIONS FOR ISSUANCE.] Within the maximum amount authorized by law from time to time in accordance with the Minnesota Constitution, article XI, sections 5 and 7, and upon request of the governor and after report to legislative committees as provided in section 16A.641, the commissioner of finance may issue bonds of the state evidencing public debt incurred for the purpose and program described in section 41A.11. The bonds required for each pool of mortgage loans shall be issued, sold, and secured as provided in sections 16A.641 and 16A.672 except as otherwise or additionally provided in this section.

Subd. 2. [SALE AND DISPOSITION OF PROCEEDS.] From the proceeds an amount equal to the aggregate guaranteed portion of the principal amount of the mortgage loans must be deposited by the state treasurer with the trustee, in trust solely to purchase this portion of each mortgage loan. The remaining proceeds must be deposited in a special account in the state bond fund and invested in securities that are direct obligations of the United States or an instrumentality of the United States, maturing at or about the date of the maturity of the bonds, bearing interest payable currently, and purchased at the most favorable price obtainable at the time of purchase.

Subd. 3. [INTEREST PAYMENTS.] From the interest received on each mortgage loan interest payment date the program administrator shall pay to the state treasurer an amount equal to the interest then due at the guaranteed rate on the total principal amount of mortgage loans, or any lesser amount that is actually received by the program administrator from the servicers, and shall pay any excess amount over the guaranteed rate to the trustee. On the next following bond interest payment date the state treasurer shall pay to the trustee the interest then due on the bonds. The trustee shall distribute the total amount received, less compensation and reimbursement of expenses of the trustee, to the lenders in proportion to their interests.

Subd. 4. [PRINCIPAL.] Upon the maturity of the mortgage loans, the program administrator shall pay to the state treasurer an amount equal to the guaranteed portion of the principal amount of the mortgage loans, plus accrued interest on the mortgage loans at the guaranteed rate, or any lesser amount that is then actually received from the servicers. If the amount so received is sufficient, with the amounts then held by the state treasurer in the state bond fund account, to pay all of the bonds with interest then accrued, the state treasurer, upon request of the trustee, shall immediately call the bonds for redemption.

Sec. 22. Laws 1998, chapter 404, section 7, subdivision 23, is amended to read:

Subd. 23. Metro Regional Trails

5,000,000

For grants to the metropolitan council for acquisition and development of a capital nature of trail connections in the metropolitan area as specified in this subdivision. The purpose of the grants is to improve trails in the metropolitan park and open space system and connect them with existing state and regional trails. Priority shall be given to matching funds for an ISTEAA grant.

The funds shall be allocated by the council as follows:

(1) \$1,050,000 is allocated to Ramsey county as follows:

(i) \$400,000 to complete six miles of trails between the Burlington Northern Regional Trail and Bald Eagle-Otter Lake Regional Park;

(ii) \$150,000 to complete a one-mile connection between Birch Lake and the Lake Tamarack segment of Bald Eagle-Otter Lake Regional Park;

(iii) \$500,000 to acquire real property and design and construct or renovate recreation facilities along the Mississippi River in cooperation with the city of St. Paul;

(2) \$1,050,000 is allocated to the city of St. Paul as follows:

- (i) \$250,000 to construct a bridge over Lexington Parkway in Como Regional Park; and
- (ii) \$800,000 to enhance amenities for the trailhead at the Lilydale-Harriet Island Regional Park pavilion;
- (3) \$1,400,000 is allocated to Anoka county as follows to construct:
  - (i) ~~\$1,100,000 to construct~~ a pedestrian tunnel under Highway 65 on the Rice Creek West Regional Trail in the city of Fridley; and
  - (ii) ~~\$300,000 to construct~~ a pedestrian bridge on the Mississippi River Regional Trail crossing over Mississippi Street in the city of Fridley; and
- (4) \$1,500,000 is allocated to the suburban Hennepin regional park district as follows:
  - (i) \$1,000,000 to connect North Hennepin Regional Trail to Luce Line State Trail and Medicine Lake; and
  - (ii) \$500,000 is for the cost of development and acquisition of the Southwest regional trail in the city of St. Louis Park. The trail must connect the Minneapolis regional trail system at Cedar Lake park to the Hennepin parks regional trail system at the Hopkins trail head.

Sec. 23. Laws 1998, First Special Session chapter 1, article 3, section 8, is amended to read:

Sec. 8. [JUDY GARLAND CHILDREN'S MUSEUM.]

The appropriation in Laws 1997, chapter 200, article 1, section 2, subdivision 2, to the commissioner of trade and economic development for the Judy Garland Children's Museum is available until and may be matched until June 30, 1999 2000.

Sec. 24. [EFFECTIVE DATE.]

This act is effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to capital improvements; authorizing spending to acquire and to better public land and buildings and other public improvements of a capital nature with certain conditions; authorizing the sale of state bonds; appropriating money; amending Minnesota Statutes 1998, section 16A.642, subdivision 1; Laws 1998, chapter 404, section 7, subdivision 23; and Laws 1998, First Special Session chapter 1, article 3, section 8; proposing coding for new law in Minnesota Statutes, chapter 41A."

And when so amended the bill do pass. Amendments adopted. Report adopted.

## SECOND READING OF SENATE BILLS

S.F. Nos. 1636, 365, 2242 and 1058 were read the second time.

**SECOND READING OF HOUSE BILLS**

H.F. No. 1235 was read the second time.

**MOTIONS AND RESOLUTIONS**

Senator Scheid moved that her name be stricken as a co-author to S.F. No. 516. The motion prevailed.

**Senator Lourey introduced--**

**Senate Resolution No. 80:** A Senate resolution congratulating Andrew M. Hoffarth of Carlton, Minnesota, for receiving the Eagle Award.

Referred to the Committee on Rules and Administration.

Senator Moe, R.D. moved that H.F. No. 2420 be taken from the table. The motion prevailed.

**H.F. No. 2420:** A bill for an act relating to financing state and local government; providing a sales tax rebate; reducing individual income tax rates; making changes to income, sales and use, property, excise, mortgage registry and deed, health care provider, motor fuels, cigarette and tobacco, liquor, insurance premiums, aircraft registration, lawful gambling, taconite production, solid waste, and special taxes; establishing an agricultural homestead credit; changing and allowing tax credits, subtractions, and exemptions; changing property tax valuation, assessment, levy, classification, homestead, credit, aid, exemption, review, appeal, abatement, and distribution provisions; extending levy limits and changing levy authority; providing for reverse referenda on certain levy increases; phasing out health care provider taxes; extending the suspension of the tax on certain insurance premiums; reducing tax rates on lawful gambling; changing tax increment financing law and providing special authority for certain cities; authorizing water and sanitary sewer districts; providing for the funding of courts in certain judicial districts; changing tax forfeiture and delinquency provisions; changing and clarifying tax administration, collection, enforcement, and penalty provisions; freezing the taconite production tax and providing for its distribution; providing for funding for border cities; changing fiscal note requirements; providing for deposit of tobacco settlement funds; providing for allocation of certain budget surpluses; requiring studies; establishing a task force; and providing for appointments; transferring funds; appropriating money; amending Minnesota Statutes 1998, sections 3.986, subdivision 2; 3.987, subdivision 1; 16A.152, subdivision 2, and by adding a subdivision; 16A.1521; 60A.15, subdivision 1; 62J.041, subdivision 1; 62Q.095, subdivision 6; 92.51; 97A.065, subdivision 2; 214.16, subdivisions 2 and 3; 270.07, subdivision 1; 270.65; 270.67, by adding a subdivision; 270B.01, subdivision 8; 270B.14, subdivision 1, and by adding a subdivision; 271.01, subdivision 5; 271.21, subdivision 2; 272.02, subdivision 1; 272.027; 272.03, subdivision 6; 273.11, subdivisions 1a and 16; 273.111, by adding a subdivision; 273.124, subdivisions 1, 7, 8, 13, 14, and by adding a subdivision; 273.13, subdivisions 22, 23, 24, 25, 31, and by adding a subdivision; 273.1382; 273.1398, subdivisions 2, 8, and by adding a subdivision; 273.1399, subdivision 6; 273.20; 274.01, subdivision 1; 275.065, subdivisions 3, 5a, 6, 8, and by adding a subdivision; 275.07, subdivision 1; 275.71, subdivisions 2, 3, and 4; 276.131; 279.37, subdivisions 1, 1a, and 2; 281.23, subdivisions 2, 4, and 6; 282.01, subdivisions 1, 4, and 7; 282.04, subdivision 2; 282.05; 282.08; 282.09; 282.241; 282.261, subdivision 4, and by adding a subdivision; 283.10; 287.01, subdivision 3, as amended; 287.05, subdivisions 1, as amended, and 1a, as amended; 289A.02, subdivision 7; 289A.18, subdivision 4; 289A.20, subdivision 4; 289A.31, subdivision 2; 289A.40, subdivisions 1 and 1a; 289A.50, subdivision 7, and by adding a subdivision; 289A.56, subdivision 4; 289A.60, subdivisions 3 and 21; 290.01, subdivisions 7, 19, 19a, 19b, 19f, 31, and by adding a subdivision; 290.06, subdivisions 2c, 2d, and by adding subdivisions; 290.0671, subdivision 1; 290.0672, subdivision 1; 290.0674, subdivisions 1 and 2; 290.091, subdivisions 1, 2, and 6; 290.0921, subdivision 5; 290.095, subdivision 3; 290.17, subdivisions 3, 4, and 6; 290.191, subdivisions 2 and 3; 290.9725; 290.9726, by adding a subdivision; 290A.03, subdivisions 3 and 15; 290B.03, subdivision 1; 290B.04, subdivisions 3 and 4; 290B.05, subdivision 1; 291.005,

subdivision 1; 295.50, subdivision 4; 295.52, subdivision 7; 295.53, subdivision 1; 295.55, subdivisions 2 and 3; 296A.16, by adding subdivisions; 297A.01, subdivision 15; 297A.15, subdivision 5; 297A.25, subdivisions 9, 11, 63, 73, and by adding subdivisions; 297A.48, by adding a subdivision; 297B.01, subdivision 7; 297B.03; 297E.01, by adding a subdivision; 297E.02, subdivisions 1, 3, 4, and 6; 297F.01, subdivision 23; 297F.17, subdivision 6; 297H.05; 297H.06, subdivision 2; 298.24, subdivision 1; 298.28, subdivision 9a; 299D.03, subdivision 5; 357.021, subdivision 1a; 360.55, by adding a subdivision; 375.192, subdivision 2; 383C.482, subdivision 1; 465.82, by adding a subdivision; 469.169, subdivision 12, and by adding a subdivision; 469.1735, by adding a subdivision; 469.176, subdivision 4g; 469.1763, by adding a subdivision; 469.1771, subdivision 1, and by adding a subdivision; 469.1791, subdivision 3; 469.1813, subdivisions 1, 2, 3, 6, and by adding a subdivision; 469.1815, subdivision 2; 473.249, subdivision 1; 473.252, subdivision 2; 473.253, subdivision 1; 477A.03, subdivision 2; 477A.06, subdivision 1; 485.018, subdivision 5; 487.02, subdivision 2; 487.32, subdivision 3; 487.33, subdivision 5; and 574.34, subdivision 1; Laws 1988, chapter 645, section 3; Laws 1997, chapter 231, article 1, section 19, subdivisions 1 and 3; Laws 1997, chapter 231, article 3, section 9; Laws 1997, First Special Session chapter 3, section 27; Laws 1997, Second Special Session chapter 2, section 6; Laws 1998, chapter 389, article 1, section 1; and Laws 1998, chapter 389, article 8, section 44, subdivisions 5, 6, and 7, as amended; proposing coding for new law in Minnesota Statutes, chapters 16A; 62Q; 256L; 275; 297A; 469; and 473; repealing Minnesota Statutes 1998, sections 13.99, subdivision 86b; 16A.724; 16A.76; 92.22; 144.1484, subdivision 2; 256L.02, subdivision 3; 273.11, subdivision 10; 280.27; 281.13; 281.38; 284.01; 284.02; 284.03; 284.04; 284.05; 284.06; 295.50; 295.51; 295.52; 295.53; 295.54; 295.55; 295.56; 295.57; 295.58; 295.582; 295.59; 297E.12, subdivision 3; 297F.19, subdivision 4; 297G.18, subdivision 4; and 473.252, subdivisions 4 and 5; Laws 1997, chapter 231, article 1, section 19, subdivision 2; and Laws 1998, chapter 389, article 3, section 45.

### SUSPENSION OF RULES

Senator 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 H.F. No. 2420 and that the rules of the Senate be so far suspended as to give H.F. No. 2420 its second and third reading and place it on its final passage. The motion prevailed.

H.F. No. 2420 was read the second time.

Senator Johnson, D.J. moved to amend H.F. No. 2420 as follows:

Delete everything after the enacting clause, and delete the title, of H.F. No. 2420, and insert the language after the enacting clause, and the title, of S.F. No. 1276, the first engrossment.

The motion prevailed. So the amendment was adopted.

Senator Johnson, D.J. then moved to amend H.F. No. 2420, as amended by the Senate April 30, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 1276.)

Page 106, line 20, delete ".25" and insert ".20" in both places

Page 167, delete section 30

Page 246, after line 4, insert:

"Section 1. [16A.77] [TOBACCO SETTLEMENT FUND.]

(a) A tobacco settlement fund is established in the state treasury. Amounts in the fund are available only for purposes authorized by appropriation by the legislature. The governor shall make recommendations to the legislature regarding use of the money in the fund.

(b) The commissioner of finance shall credit all settlement payments received after July 1,

1998, as defined in Section IIB of the settlement document, filed May 18, 1998, in the State of Minnesota et al. vs. Phillip Morris et al., to the tobacco settlement fund. All other payments to the state resulting from the specified litigation shall be credited to the general fund."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Pogemiller moved to amend H.F. No. 2420, as amended by the Senate April 30, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 1276.)

Page 130, after line 15, insert:

"Sec. 58. [GOVERNOR'S PROPERTY TAX REFORM COMMISSION.]

Subdivision 1. [ESTABLISHMENT; ISSUES.] A governor's property tax reform commission is established to study the property tax system and the fiscal relationship between the state and local governments. The task force shall make recommendations on the best means to achieve a balance among the following goals:

(1) clarification of the state and local fiscal relationship to enable taxpayers to understand the levels of government at which services are provided and taxes are imposed;

(2) simplifying the state and local fiscal structures to the extent possible without sacrificing equity and efficiency;

(3) achieving accountability by ensuring that aid to local governments is based upon need and revenue raising capacity rather than local spending decisions;

(4) ensuring that local governing bodies have the final authority in determining local budgets;

(5) ensuring that all levels of government share equally in the growth and decline in Minnesota sales and income tax revenues; and

(6) ensuring that public expenditures that are growing the most rapidly due to changing social and demographic forces are linked to the most rapidly growing revenue sources.

Subd. 2. [MEMBERSHIP.] The advisory task force must have 15 members who are appointed by the governor. No legislators or lobbyists registered under Minnesota Statutes, section 10A.03, may be appointed to the task force.

Subd. 3. [REPORT.] The advisory task force shall report to the chairs of the committees on taxes of the senate and the house of representatives by January 15, 2000, on their recommendations.

Subd. 4. [EXPIRATION.] This section expires March 1, 2000."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Oliver moved to amend H.F. No. 2420, as amended by the Senate April 30, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 1276.)

Page 14, lines 22 and 33, strike "8.5" and insert "8"



Page 15, line 5, strike "8.5" and insert "8"

### CALL OF THE SENATE

Senator Junge imposed a call of the Senate for the balance of the proceedings on H.F. No. 2420. The Sergeant at Arms was instructed to bring in the absent members.

The question was taken on the adoption of the Oliver amendment.

The roll was called, and there were yeas 24 and nays 38, as follows:

Those who voted in the affirmative were:

Belanger	Johnson, D.E.	Laidig	Oliver	Scheevel
Berg	Kierlin	Larson	Pariseau	Stevens
Day	Kiscaden	Lesewski	Robertson	Terwilliger
Fischbach	Kleis	Limmer	Robling	Ziegler
Frederickson	Knutson	Neuville	Runbeck	

Those who voted in the negative were:

Anderson	Hottinger	Krentz	Novak	Spear
Berglin	Janezich	Langseth	Pappas	Stumpf
Betzold	Johnson, D.H.	Lessard	Pogemiller	Ten Eyck
Cohen	Johnson, D.J.	Lourey	Price	Vickerman
Flynn	Johnson, J.B.	Marty	Ranum	Wiener
Foley	Junge	Metzen	Sams	Wiger
Hanson	Kelley, S.P.	Moe, R.D.	Samuelson	
Higgins	Kelly, R.C.	Murphy	Scheid	

The motion did not prevail. So the amendment was not adopted.

Senator Oliver moved to amend H.F. No. 2420, as amended by the Senate April 30, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 1276.)

Page 66, after line 9, insert:

"Section 1. [16A.78] [MINNESOTACARE SUBSIDIZED HEALTH INSURANCE ACCOUNT.]

(a) A MinnesotaCare subsidized health insurance account is established in the general fund.

(b) The commissioner shall credit to the account the tobacco settlement payments received by the state each December beginning December of 1999 as a result of the lawsuit styled as State v. Philip Morris, Incorporated, No. C1-94-8565.

(c) Money in the account is available for and may only be spent for expenditures associated with the MinnesotaCare program.

(d) The balance in the account does not cancel and remains in the account until appropriated by law for the purposes described in this section.

(e) Notwithstanding section 11A.20, investment earnings on the account are credited to the account.

Sec. 2. Minnesota Statutes 1998, 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, and 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~~ paragraph (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), ~~or (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)~~ (e) 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)~~ (f) 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. In determining the structural balance of the health care access fund for fiscal years 2000 and 2001, the commissioner shall disregard the transfer amount from the health care access fund to the general fund for expenditures associated with the services provided to pregnant women and children under the age of two enrolled in the MinnesotaCare program.~~

~~(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. 3. Minnesota Statutes 1998, section 62J.041, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] (a) For purposes of this section, the following definitions apply.

(b) "Health plan company" has the definition provided in section 62Q.01.

(c) "Total expenditures" means incurred claims or expenditures on health care services, administrative expenses, charitable contributions, and all other payments made by health plan companies out of premium revenues.

(d) "Net expenditures" means total expenditures minus exempted taxes and assessments and payments or allocations made to establish or maintain reserves.

(e) "Exempted taxes and assessments" means direct payments for taxes to government agencies, contributions to the Minnesota comprehensive health association, the medical assistance provider's surcharge under section 256.9657, the MinnesotaCare provider tax under Minnesota Statutes 1998, section 295.52, assessments by the health coverage reinsurance association, assessments by the Minnesota life and health insurance guaranty association, assessments by the Minnesota risk adjustment association, and any new assessments imposed by federal or state law.

(f) "Consumer cost-sharing or subscriber liability" means enrollee coinsurance, copayment, deductible payments, and amounts in excess of benefit plan maximums.

Sec. 4. Minnesota Statutes 1998, section 62Q.095, subdivision 6, is amended to read:

Subd. 6. [EXEMPTION.] A health plan company, to the extent that it operates as a staff model health plan company ~~as defined in section 295.50, subdivision 12b~~, by employing allied independent health care providers to deliver health care services to enrollees, is exempt from this section. For purposes of this subdivision, "staff model health plan company" means a health plan company as defined in section 62Q.01, subdivision 4, that employs one or more types of health care provider to deliver health care services to the health plan company's enrollees.

Sec. 5. Minnesota Statutes 1998, section 144.1494, subdivision 1, is amended to read:

Subdivision 1. [CREATION OF ACCOUNT.] A rural physician education account is established in the ~~health care access general fund~~. The commissioner shall use money from the account to establish a loan forgiveness program for medical residents agreeing to practice in designated rural areas, as defined by the commissioner. Appropriations made to this account do not cancel and are available until expended, except that at the end of each biennium the

commissioner shall cancel to the health care access fund any remaining unobligated balance in this account.

Sec. 6. Minnesota Statutes 1998, section 144.1495, subdivision 2, is amended to read:

Subd. 2. [CREATION OF ACCOUNT.] A midlevel practitioner education account is established in the ~~health care access~~ general fund. The commissioner shall use money from the account to establish a loan forgiveness program for midlevel practitioners agreeing to practice in designated rural areas.

Sec. 7. Minnesota Statutes 1998, section 144.1496, subdivision 1, is amended to read:

Subdivision 1. [CREATION OF THE ACCOUNT.] An education account in the ~~health care access~~ general fund is established for a loan forgiveness program for nurses who agree to practice nursing in a nursing home or intermediate care facility for persons with mental retardation or related conditions. The account consists of money appropriated by the legislature and repayments and penalties collected under subdivision 4. Money from the account must be used for a loan forgiveness program.

Sec. 8. Minnesota Statutes 1998, section 214.16, subdivision 2, is amended to read:

Subd. 2. [BOARD COOPERATION REQUIRED.] The board shall assist the commissioner of health in data collection activities required under Laws 1992, chapter 549, article 7, ~~and shall assist the commissioner of revenue in activities related to collection of the health care provider tax required under Laws 1992, chapter 549, article 9.~~ Upon the request of the commissioner ~~or the commissioner of revenue,~~ the board shall make available names and addresses of current licensees and provide other information or assistance as needed.

Sec. 9. Minnesota Statutes 1998, section 214.16, subdivision 3, is amended to read:

Subd. 3. [GROUNDS FOR DISCIPLINARY ACTION.] The board shall take disciplinary action, which may include license revocation, against a regulated person for:

(1) intentional failure to provide the commissioner of health with the data required under chapter 62J;

~~(2) intentional failure to provide the commissioner of revenue with data on gross revenue and other information required for the commissioner to implement sections 295.50 to 295.58;~~

~~(3) intentional failure to pay the health care provider tax required under section 295.52; and~~

~~(4) (2) entering into a contract or arrangement that is prohibited under sections 62J.70 to 62J.73.~~

Sec. 10. Minnesota Statutes 1998, section 256L.02, subdivision 3, is amended to read:

Subd. 3. [FINANCIAL MANAGEMENT.] (a) ~~The commissioner shall manage spending for the MinnesotaCare program in a manner that maintains a minimum reserve in accordance with section 16A.76.~~ As part of each state revenue and expenditure forecast, the commissioner must make an assessment of the expected expenditures for the services covered services under the MinnesotaCare program for the remainder of the current biennium and for the following biennium. ~~The estimated expenditure, including the reserve requirements described in section 16A.76, shall be compared to an estimate of the revenues that will be available in the health care access fund.~~ Based on this comparison, and After consulting with the chairs of the house ways and means committee and the senate finance committee, and the legislative commission on health care access, the commissioner shall, as necessary, make the adjustments specified in paragraph (b) to ensure that expenditures remain within the limits of the available revenues ~~for the remainder of the current biennium and for the following biennium~~ appropriations. The commissioner shall not hire additional staff using appropriations from the ~~health care access~~ general fund until the commissioner of finance makes a determination that the adjustments implemented under paragraph (b) are sufficient to allow MinnesotaCare expenditures to remain within the limits of

available revenues for the remainder of the current biennium and for the following biennium appropriations.

(b) The adjustments the commissioner shall use must be implemented in this order: first, stop enrollment of single adults and households without children; second, upon 45 days' notice, stop coverage of single adults and households without children already enrolled in the MinnesotaCare program; third, upon 90 days' notice, decrease the premium subsidy amounts by ten percent for families with gross annual income above 200 percent of the federal poverty guidelines; fourth, upon 90 days' notice, decrease the premium subsidy amounts by ten percent for families with gross annual income at or below 200 percent; and fifth, require applicants to be uninsured for at least six months prior to eligibility in the MinnesotaCare program. If these measures are insufficient to limit the expenditures to the estimated amount of revenue available appropriations, the commissioner shall further limit enrollment or decrease premium subsidies.

Sec. 11. Minnesota Statutes 1998, section 256L.02, subdivision 4, is amended to read:

Subd. 4. [FUNDING FOR PREGNANT WOMEN AND CHILDREN UNDER AGE TWO.] For fiscal years beginning on or after July 1, 1999, the state cost of health care services provided to MinnesotaCare enrollees who are pregnant women or children under age two shall be paid out of the general fund ~~rather than the health care access fund~~. If the commissioner of finance decides to pay for these costs using a source other than the general fund, the commissioner shall include the change as a budget initiative in the biennial or supplemental budget, and shall not change the funding source through a forecast modification.

Sec. 12. Minnesota Statutes 1998, section 270B.01, subdivision 8, is amended to read:

Subd. 8. [MINNESOTA TAX LAWS.] For purposes of this chapter only, unless expressly stated otherwise, "Minnesota tax laws" means the taxes, refunds, and fees administered by or paid to the commissioner under chapters 115B (except taxes imposed under sections 115B.21 to 115B.24), 289A (except taxes imposed under sections 298.01, 298.015, and 298.24), 290, 290A, 291, 297A, and 297H ~~and sections 295.50 to 295.59~~, or any similar Indian tribal tax administered by the commissioner pursuant to any tax agreement between the state and the Indian tribal government, and includes any laws for the assessment, collection, and enforcement of those taxes, refunds, and fees.

Sec. 13. Minnesota Statutes 1998, section 270B.14, subdivision 1, is amended to read:

Subdivision 1. [DISCLOSURE TO COMMISSIONER OF HUMAN SERVICES.] (a) On the request of the commissioner of human services, the commissioner shall disclose return information regarding taxes imposed by chapter 290, and claims for refunds under chapter 290A, to the extent provided in paragraph (b) and for the purposes set forth in paragraph (c).

(b) Data that may be disclosed are limited to data relating to the identity, whereabouts, employment, income, and property of a person owing or alleged to be owing an obligation of child support.

(c) The commissioner of human services may request data only for the purposes of carrying out the child support enforcement program and to assist in the location of parents who have, or appear to have, deserted their children. Data received may be used only as set forth in section 256.978.

(d) The commissioner shall provide the records and information necessary to administer the supplemental housing allowance to the commissioner of human services.

(e) At the request of the commissioner of human services, the commissioner of revenue shall electronically match the social security numbers and names of participants in the telephone assistance plan operated under sections 237.69 to 237.711, with those of property tax refund filers, and determine whether each participant's household income is within the eligibility standards for the telephone assistance plan.

(f) The commissioner may provide records and information collected under Minnesota Statutes 1998, sections 295.50 to 295.59, to the commissioner of human services for purposes of the

Medicaid Voluntary Contribution and Provider-Specific Tax Amendments of 1991, Public Law Number 102-234. Upon the written agreement by the United States Department of Health and Human Services to maintain the confidentiality of the data, the commissioner may provide records and information collected under Minnesota Statutes 1998, sections 295.50 to 295.59, to the Health Care Financing Administration section of the United States Department of Health and Human Services for purposes of meeting federal reporting requirements.

(g) The commissioner may provide records and information to the commissioner of human services as necessary to administer the early refund of refundable tax credits.

(h) The commissioner may disclose information to the commissioner of human services necessary to verify income for eligibility and premium payment under the MinnesotaCare program, under section 256L.05, subdivision 2."

Page 72, after line 6, insert:

"Sec. 20. [TRANSFER.]

The commissioner of finance shall transfer money in the health care access fund as of January 1, 2000, to the MinnesotaCare subsidized health insurance account in the general fund.

Sec. 21. [REPEALER.]

Minnesota Statutes 1998, sections 13.99, subdivision 86b; 16A.724; 16A.76; 62T.10; 144.1484, subdivision 2; 295.50; 295.51; 295.52; 295.53, subdivisions 1, 2, 3, and 4; 295.54; 295.55; 295.56; 295.57; 295.58; 295.581; 295.582; and 295.59, are repealed."

Page 72, after line 7, insert:

"Section 1 is effective July 1, 1999.

Sections 2 to 13, 20, and 21 are effective January 1, 2000."

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 36, as follows:

Those who voted in the affirmative were:

Belanger	Johnson, J.B.	Larson	Robertson	Terwilliger
Berg	Kierlin	Lesewski	Robling	Wiger
Day	Kiscaden	Limmer	Runbeck	Ziegler
Fischbach	Kleis	Neuville	Scheevel	
Frederickson	Knutson	Oliver	Stevens	
Johnson, D.E.	Laidig	Pariseau	Ten Eyck	

Those who voted in the negative were:

Anderson	Hottinger	Langseth	Pappas	Spear
Berglin	Janezich	Lessard	Piper	Stumpf
Betzold	Johnson, D.H.	Lourey	Pogemiller	Vickerman
Cohen	Johnson, D.J.	Marty	Price	Wiener
Flynn	Junge	Metzen	Ranum	
Foley	Kelley, S.P.	Moe, R.D.	Sams	
Hanson	Kelly, R.C.	Murphy	Samuelson	
Higgins	Krentz	Novak	Scheid	

The motion did not prevail. So the amendment was not adopted.

Senator Belanger moved to amend H.F. No. 2420, as amended by the Senate April 30, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 1276.)

Pages 9 to 264, delete articles 2 to 17 and insert:

"ARTICLE 2  
INCOME TAXES

Section 1. Minnesota Statutes 1998, 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~~ \$34,500, ~~6~~ 5.5 percent;
- (2) On all over ~~\$19,910~~ \$34,500, but not over ~~\$79,120~~ \$150,000, ~~8~~ 7.5 percent;
- (3) On all over ~~\$79,120~~ \$150,000, ~~8.5~~ 8 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~~ \$17,250, ~~6~~ 5.5 percent;
- (2) On all over ~~\$13,620~~ \$17,250, but not over ~~\$44,750~~ \$75,000, ~~8~~ 7.5 percent;
- (3) On all over ~~\$44,750~~ \$75,000, ~~8.5~~ 8 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~~ \$25,870, ~~6~~ 5.5 percent;
- (2) On all over ~~\$16,770~~ \$25,870, but not over ~~\$67,390~~ \$112,500, ~~8~~ 7.5 percent;
- (3) On all over ~~\$67,390~~ \$112,500, ~~8.5~~ 8 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 additions required under section 290.01, subdivision 19a, clauses (1) and (9), after applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

(2) the denominator is the individual's federal adjusted gross income as defined in section 62 of the Internal Revenue Code of 1986, increased by the amounts specified in section 290.01, subdivision 19a, clauses (1), (5), (6), (7), and (9), and reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1), (11), and (12).

Sec. 2. Minnesota Statutes 1998, section 290.06, subdivision 2d, is amended to read:

Subd. 2d. [INFLATION ADJUSTMENT OF BRACKETS.] (a) For taxable years beginning after December 31, ~~1994~~ 1999, 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~~ 1998, and before January 1, ~~1992~~ 2000. 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~~ 1999" shall be substituted for the word "~~1987~~ 1992." For ~~1994~~ 2000, the commissioner shall then determine the percent change from the 12 months ending on August 31, ~~1990~~ 1999, to the 12 months ending on August 31, ~~1994~~ 2000, and in each subsequent year, from the 12 months ending on August 31, ~~1990~~ 1999, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14.

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.

Sec. 3. Minnesota Statutes 1998, section 290.091, subdivision 1, is amended to read:

Subdivision 1. [IMPOSITION OF TAX.] In addition to all other taxes imposed by this chapter a tax is imposed on individuals, estates, and trusts equal to the excess (if any) of

(a) an amount equal to ~~seven~~ 6.8 percent of alternative minimum taxable income after subtracting the exemption amount, over

(b) the regular tax for the taxable year.

Sec. 4. Minnesota Statutes 1998, section 290.091, subdivision 2, is amended to read:

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

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

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

(2) the taxpayer's itemized deductions allowed in computing federal alternative minimum taxable income, but excluding:

(i) the Minnesota charitable contribution deduction;

(ii) the medical expense deduction;

(iii) the casualty, theft, and disaster loss deduction; and

(iv) the impairment-related work expenses of a disabled person;



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

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

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

(6) 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 (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;

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

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

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~~ 6.8 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. 5. Minnesota Statutes 1998, 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.

Sec. 6. Minnesota Statutes 1998, 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~~ 6.8 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) 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),

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

(vi) 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), (3), and (4) of the second series of clauses, and

(vii) 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. 7. [EFFECTIVE DATE.]

Sections 1 to 6 are effective for taxable years beginning after December 31, 1998.

### ARTICLE 3

#### PROPERTY TAX REFORM

Section 1. Minnesota Statutes 1998, section 126C.13, subdivision 1, is amended to read:

Subdivision 1. [GENERAL EDUCATION TAX RATE.] (a) The commissioner must establish the general education tax rate rates by July 1 of each year for levies payable in the following year.

(b) The total dollar amount raised by the general education levy is \$1,387,100,000 for fiscal year 2001 and later. The general education net tax capacity rate must be a rate, rounded up to the nearest hundredth of a percent, that, when applied to the adjusted net tax capacity for all districts, raises the amount specified in this subdivision. The general education tax rate must be the rate that raises \$1,385,500,000 for fiscal year 1999, \$1,325,500,000 for fiscal year 2000, and \$1,387,100,000 for fiscal year 2001, and later fiscal years. Any general education levy amount in excess of \$1,387,100,000 shall be separately specified and levied against referendum market value.

(c) For fiscal year 2001 and later, the general education referendum market value rate shall be a rate that, when applied to the adjusted referendum market value for all districts, raises a dollar amount equal to the difference between the total general education levy and \$1,387,100,000.

(d) The general education tax rate rates may not be changed due to changes or corrections made to a district's adjusted net tax capacity or adjusted referendum market value after the tax rate has rates have been established. If the levy target for fiscal year 1999 or fiscal year 2000 is changed by another law enacted during the 1997 or 1998 session, the commissioner shall reduce the general education levy target in this section by the amount of the reduction in the enacted law.

Sec. 2. Minnesota Statutes 1998, section 126C.13, subdivision 2, is amended to read:

Subd. 2. [GENERAL EDUCATION LEVY.] To obtain general education revenue, excluding transition revenue and supplemental revenue, a district may levy an amount not to exceed the sum of the general education tax rate times the adjusted net tax capacity of the district for the preceding year and the general education referendum market value tax rate times the adjusted referendum market value of the district for the preceding year. If the amount of the general education levy would exceed the general education revenue, excluding supplemental revenue, the general education levy must be determined according to subdivision 3.

Sec. 3. Minnesota Statutes 1998, section 126C.17, subdivision 6, is amended to read:

Subd. 6. [REFERENDUM EQUALIZATION LEVY.] (a) For fiscal year ~~1999~~ 2001 and thereafter, a district's referendum equalization levy for a referendum levied against the referendum market value of all taxable property as defined in section 126C.01, subdivision 3, equals the district's referendum equalization revenue times the lesser of one or the ratio of the district's adjusted referendum market value per resident pupil unit to \$476,000.

(b) For fiscal year 1999 and thereafter, a district's referendum equalization levy for a referendum levied against the net tax capacity of all taxable property equals the district's referendum equalization revenue times the lesser of one or the ratio of the district's adjusted net tax capacity per resident pupil unit to \$10,000.

Sec. 4. [126C.173] [SCHOOL DISTRICT LEVIES.]

Subdivision 1. [CATEGORICAL PROGRAM LEVY.] "Categorical program levy" means a district's total levy less the sum of the district's basic general education program levy under section 126C.13, subdivision 2, debt service levy under section 123B.55, and operating referendum levy under section 126C.17.

Subd. 2. [CATEGORICAL NET TAX CAPACITY LEVY.] For taxes payable in 2000 and later, each school district's categorical net tax capacity levy is equal to the lesser of its categorical program levy for taxes payable in 1999, or its categorical program levy for that year.

Subd. 3. [CATEGORICAL MARKET VALUE LEVY.] For taxes payable in 2000 and later, a district's categorical market value levy is equal to the difference between its categorical program levy under subdivision 1 and its categorical tax capacity levy under subdivision 2.

Sec. 5. [126C.423] [DEBT LEVY; MARKET VALUE.]

Except as otherwise provided in sections 126C.17 and 126C.18, a school district levy imposed to pay obligations approved by the electors under section 475.58 after November 1, 1999, for taxes payable in 2000 or thereafter, must be levied against the referendum market value of all taxable property as defined in section 126C.01, subdivision 3. A levy subject to the requirements of this section must be separately certified to the county auditor under section 275.07.

Sec. 6. Minnesota Statutes 1998, section 127A.48, subdivision 1, is amended to read:

Subdivision 1. [COMPUTATION.] The department of revenue must annually conduct an assessment/sales ratio study of the taxable property in each school district in accordance with the procedures in subdivisions 2 and 3. Based upon the results of this assessment/sales ratio study, the department of revenue must determine an aggregate equalized net tax capacity for the various classes of taxable property in each district, which tax capacity shall be designated as the adjusted net tax capacity. The department shall also, based upon the results of the assessment/sales ratio study, determine the equalized referendum market value for each school district which shall be designated as the adjusted referendum market value. The adjusted net tax capacities shall be determined using the net tax capacity percentages in effect for the assessment year following the assessment year of the study. The department of revenue must make whatever estimates are necessary to account for changes in the classification system. The department of revenue may incur the expense necessary to make the determinations. The commissioner of revenue may reimburse any county or governmental official for requested services performed in ascertaining the adjusted net tax capacity. On or before March 15 annually, the department of revenue shall file with the chair of the tax committee of the house of representatives and the chair of the committee on taxes and tax laws of the senate a report of adjusted net tax capacities. On or before June 15 annually, the department of revenue shall file its final report on the adjusted net tax capacities established by the previous year's assessments and the current year's net tax capacity percentages with the commissioner of children, families, and learning and each county auditor for those districts for which the auditor has the responsibility for determination of local tax rates. A copy of the report so filed shall be mailed to the clerk of each district involved and to the county assessor or supervisor of assessments of the county or counties in which each district is located.

Sec. 7. Minnesota Statutes 1998, 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.

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 ~~1.7~~ 1.5 percent of its market value.

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

(1) any 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. 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. If any portion of the class 1c resort property is classified as class 4c under subdivision 25, the entire property must meet the requirements of subdivision 25, paragraph (d), clause (1), to qualify for class 1c treatment under this paragraph.

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

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

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

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

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

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

Sec. 8. Minnesota Statutes 1998, 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 ~~0.35~~ 0.3 percent of market value. 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 ~~0.8~~ 0.7 percent of market value. The remaining property over \$115,000 market value in excess of ~~320~~ acres has a class rate of ~~1.25~~ one percent of market value.

(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 ~~1.25~~ one percent of market value.

(c) Agricultural land as used in this section means contiguous acreage of ten acres or more, used during the preceding year for agricultural purposes. "Agricultural purposes" as used in this section means the raising or cultivation of agricultural products 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. 9. Minnesota Statutes 1998, 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 ~~2.45~~ two percent of the first tier of market value, and ~~3.5~~ three percent 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 the class rate of ~~2.3~~ percent of the first \$50,000 of market value and ~~3.5~~ percent 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 rates 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. A class rate equal to 85 percent of the class rate of the second tier of the commercial property class 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. 10. Minnesota Statutes 1998, section 273.13, subdivision 25, is amended to read:

Subd. 25. [CLASS 4.] (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more. 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 2.15 percent of market value. All other class 4a property has a class rate of 2.5 two percent of market value. 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 subdivision 33.

Class 4b property has a class rate of 1.7 1.5 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 1.25 one percent on the first \$75,000 of market value and a class rate of 1.7 1.5 percent 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 during 90 consecutive days and either (i) at least 60 percent of all paid bookings by lodging guests during the year must be for periods of at least two consecutive nights; or (ii) at least 20 percent of the annual gross receipts must be from charges for rental of fish houses, boats and motors, snowmobiles, downhill or cross-country ski equipment, or charges for marina services, launch services, and guide services, or the sale of bait and fishing tackle. For purposes of this determination, a paid booking of five or more nights shall be counted as two bookings. Class 4c also includes commercial use real property used exclusively for recreational purposes in conjunction with class 4c property devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 250 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. Class 4c property classified in this clause also includes the remainder of class 1c resorts provided that the entire property including that portion of the property classified as class 1c also meets the requirements for class 4c under this clause; otherwise the entire property is classified as class 3. 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) it is open to the public on a daily fee basis. It may charge membership fees or dues, but a membership fee may not be required in order to use the property for golfing, and its green fees for golfing must be comparable to green fees typically charged by municipal courses; and

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

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

(3) real property up to a maximum of one acre 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;

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

(6) real property that is actively and exclusively devoted to indoor fitness, health, social, recreational, and related uses, is owned and operated by a not-for-profit corporation, and is located within the metropolitan area as defined in section 473.121, subdivision 2.

Class 4c property has a class rate of ~~1.8~~ 1.5 percent of market value, 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 ~~1.25~~ one percent, and the market value that exceeds \$75,000 has a class rate of ~~2.2~~ 1.8 percent, (ii) manufactured home parks assessed under clause (5) have a class rate of ~~two~~ 1.5 percent, and (iii) property described in paragraph (d), clause (4), has

the same class rate as the rate applicable to the first tier of class 4bb nonhomestead residential real estate under paragraph (c).

(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. 11. Minnesota Statutes 1998, 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 ~~3.5~~ three percent of market value.

Sec. 12. Minnesota Statutes 1998, section 273.1382, subdivision 1, is amended to read:

Subdivision 1. [EDUCATION HOMESTEAD CREDIT.] Each year, the respective county auditors shall determine the initial tax rate for each school district for the general education levy certified under section 126C.13, 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 68 percent for taxes payable in 1999 and ~~69~~ 100 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 \$320 for taxes payable in 1999 and ~~\$335~~ \$430 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. 13. [273.1384] [CREDIT FOR DEBT SERVICE AND REFERENDUM LEVIES ON AGRICULTURAL PROPERTY.]

Subdivision 1. [TAX REDUCTIONS.] The county auditor shall reduce the tax for school purposes on qualified property by the amount of the debt service tax levy determined under section 123B.55 and the school referendum tax levy determined under section 126C.17 on the property. As used in this section, "qualified property" means homestead agricultural property

classified as class 2a under section 273.13, subdivision 23, excluding the house, garage, and surrounding one acre of land, and nonhomestead agricultural property classified as class 2b under section 273.13, subdivision 23. The amounts of the reductions computed by the county auditor under this subdivision must be submitted to the commissioner of revenue as part of the abstracts of tax lists required to be filed with the commissioner under section 275.29. Any prior year adjustment shall also be certified in the abstracts of tax lists. The commissioner of revenue shall review the certifications to determine their accuracy and may make changes in the certification as deemed necessary or return a certification to the county auditor for corrections. For purposes of computing the credit pursuant to this subdivision, the "tax levy" shall be the tax levy reduced by the credits provided by sections 273.123; 273.42, subdivision 2; and 473H.10.

Subd. 2. [STATE AID.] The commissioner of children, families, and learning shall make payments to each school district of agricultural debt and referendum credit aid for each school year, equal to the amount by which property taxes certified in the district for collection in the calendar year ending in that school year are reduced pursuant to subdivision 1.

Subd. 3. [APPROPRIATION.] There is annually appropriated from the general fund in the state treasury to the commissioner of children, families, and learning the amount necessary to make these payments.

Sec. 14. [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 126C.01, subdivision 3. 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. 15. [EDUCATION LEVY REDUCTION.]

In addition to any amount appropriated by other law, \$90,000,000 in fiscal year 2001 and \$100,000,000 in fiscal year 2002 and subsequent years are appropriated from the general fund to the commissioner of children, families, and learning to fund a reduction in the statewide general education property tax levy.

Sec. 16. [REPEALER.]

Minnesota Statutes 1998, sections 273.127; and 273.1382, subdivision 1a, are repealed.

Sec. 17. [EFFECTIVE DATE.]

Sections 7 to 13 and 16 are effective for property taxes payable in 2000 and subsequent years.

#### ARTICLE 4

#### SALES AND EXCISE TAXES

Section 1. Minnesota Statutes 1998, section 289A.11, subdivision 1, is amended to read:

Subdivision 1. [RETURN REQUIRED.] Except as provided in section 289A.18, subdivision 4, for the month in which taxes imposed by chapter 297A are payable, or for which a return is due, a return for the preceding reporting period must be filed with the commissioner in the form and manner the commissioner prescribes. A person making sales at retail at two or more places of business may file a consolidated return subject to rules prescribed by the commissioner. In computing the dollar amount of items on the return, the amounts are rounded off to the nearest whole dollar, disregarding amounts less than 50 cents and increasing amounts of 50 cents to 99 cents to the next highest dollar.

Notwithstanding this subdivision, a person who is not required to hold a sales tax permit under chapter 297A and who makes annual purchases of less than \$18,500 that are subject to the use tax imposed by section 297A.14, may file an annual use tax return on a form prescribed by the commissioner. If a person who qualifies for an annual use tax reporting period is required to

obtain a sales tax permit or makes use tax purchases in excess of \$18,500 during the calendar year, the reporting period must be considered ended at the end of the month in which the permit is applied for or the purchase in excess of \$18,500 is made and a return must be filed for the preceding reporting period.

Sec. 2. Minnesota Statutes 1998, section 289A.18, subdivision 4, is amended to read:

Subd. 4. [SALES AND USE TAX RETURNS.] (a) Sales and use tax returns must be filed on or before the 20th day of the month following the close of the preceding reporting period, except that annual use tax returns provided for under section 289A.11, subdivision 1, must be filed by April 15 following the close of the calendar year, in the case of individuals. Annual use tax returns of businesses, including sole proprietorships, and annual sales tax returns must be filed by February 5 following the close of the calendar year.

~~(b) Except for the return for the June reporting period, which is due on the following August 25,~~ Returns filed by retailers required to remit liabilities by means of funds transfer under section 289A.20, subdivision 4, paragraph (d), are due on or before the 25th day of the month following the close of the preceding reporting period.

(c) If a retailer has an average sales and use tax liability, including local sales and use taxes administered by the commissioner, equal to or less than \$500 per month in any quarter of a calendar year, and has substantially complied with the tax laws during the preceding four calendar quarters, the retailer may request authorization to file and pay the taxes quarterly in subsequent calendar quarters. The authorization remains in effect during the period in which the retailer's quarterly returns reflect sales and use tax liabilities of less than \$1,500 and there is continued compliance with state tax laws.

(d) If a retailer has an average sales and use tax liability, including local sales and use taxes administered by the commissioner, equal to or less than \$100 per month during a calendar year, and has substantially complied with the tax laws during that period, the retailer may request authorization to file and pay the taxes annually in subsequent years. The authorization remains in effect during the period in which the retailer's annual returns reflect sales and use tax liabilities of less than \$1,200 and there is continued compliance with state tax laws.

(e) The commissioner may also grant quarterly or annual filing and payment authorizations to retailers if the commissioner concludes that the retailers' future tax liabilities will be less than the monthly totals identified in paragraphs (c) and (d). An authorization granted under this paragraph is subject to the same conditions as an authorization granted under paragraphs (c) and (d).

Sec. 3. Minnesota Statutes 1998, section 289A.20, subdivision 4, is amended to read:

Subd. 4. [SALES AND USE TAX.] (a) The taxes imposed by chapter 297A are due and payable to the commissioner monthly on or before the 20th day of the month following the month in which the taxable event occurred or following another reporting period as the commissioner prescribes, except that use taxes due on an annual use tax return as provided under section 289A.11, subdivision 1, are payable by April 15 following the close of the calendar year.

~~(b) A vendor having a liability of \$120,000 or more during a fiscal year ending June 30 must remit the June liability for the next year in the following manner:~~

~~(1) Two business days before June 30 of the year, the vendor must remit 75 percent of the estimated June liability to the commissioner.~~

~~(2) On or before August 14 of the year, the vendor must pay any additional amount of tax not remitted in June.~~

(e) A vendor 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 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 14th day of the month following the month in which the taxable event occurred, ~~except for 75 percent of the estimated June liability, which is due two~~

~~business days before June 30. The remaining amount of the June liability is due on August 14. 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)~~ (c) If the vendor required to remit by electronic funds transfer as provided in paragraph (e) (b) is unable due to reasonable cause to determine the actual sales and use tax due on or before the due date for payment, the vendor may remit an estimate of the tax owed using one of the following options:

- (1) 100 percent of the tax reported on the previous month's sales and use tax return;
- (2) 100 percent of the tax reported on the sales and use tax return for the same month in the previous calendar year; or
- (3) 95 percent of the actual tax due.

Any additional amount of tax that is not remitted on or before the due date for payment, must be remitted with the return. If a vendor fails to remit the actual liability or does not remit using one of the estimate options by the due date for payment, the vendor must remit actual liability as provided in paragraph (e) (b) in all subsequent periods. ~~This paragraph does not apply to the June sales and use tax liability.~~

Sec. 4. Minnesota Statutes 1998, 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.~~

Sec. 5. Minnesota Statutes 1998, section 297A.25, is amended by adding a subdivision to read:

Subd. 79. [TELEVISION COMMERCIALS.] The gross receipts from the sale of and storage, use, or consumption of tangible personal property which is primarily used or consumed in the preproduction, production, or postproduction of any television commercial and any such commercial, regardless of the medium in which it is transferred, are exempt. "Preproduction" and "production" include but are not limited to all activities related to the preparation for shooting and the shooting of television commercials, including film processing. Equipment rented for the preproduction and production activities is exempt. "Postproduction" includes but is not limited to all activities related to the finishing and duplication of television commercials. This exemption does not apply to tangible personal property used primarily in administration, general management, or marketing. Machinery and equipment purchased for use in producing such commercials and fuel, electricity, gas, or steam used for space heating or lighting are not exempt under this subdivision.

Sec. 6. Minnesota Statutes 1998, section 297F.09, subdivision 1, is amended to read:

Subdivision 1. ~~[MONTHLY RETURN; CIGARETTE DISTRIBUTOR.] On or before the 18th day of each calendar month, a distributor with a place of business in this state shall file a return with the commissioner showing the quantity of cigarettes manufactured or brought in from outside the state or purchased during the preceding calendar month and the quantity of cigarettes sold or otherwise disposed of in this state and outside this state during that month. A licensed distributor outside this state shall in like manner file a return showing the quantity of cigarettes shipped or transported into this state during the preceding calendar month. Returns must be made in the form and manner prescribed by the commissioner and must contain any other information required by the commissioner. The return must be accompanied by a remittance for the full unpaid tax liability shown by it. The return for the May liability and 75 percent of the estimated June liability is due on the date payment of the tax is due.~~

Sec. 7. Minnesota Statutes 1998, section 297F.09, subdivision 2, is amended to read:

Subd. 2. [MONTHLY RETURN; TOBACCO PRODUCTS DISTRIBUTOR.] On or before the 18th day of each calendar month, a distributor with a place of business in this state shall file a return with the commissioner showing the quantity and wholesale sales price of each tobacco product:

(1) brought, or caused to be brought, into this state for sale; and

(2) made, manufactured, or fabricated in this state for sale in this state, during the preceding calendar month.

Every licensed distributor outside this state shall in like manner file a return showing the quantity and wholesale sales price of each tobacco product shipped or transported to retailers in this state to be sold by those retailers, during the preceding calendar month. Returns must be made in the form and manner prescribed by the commissioner and must contain any other information required by the commissioner. The return must be accompanied by a remittance for the full tax liability shown, less 1.5 percent of the liability as compensation to reimburse the distributor for expenses incurred in the administration of this chapter. ~~The return for the May liability and 75 percent of the estimated June liability is due on the date payment of the tax is due.~~

Sec. 8. [REPEALER.]

(a) Minnesota Statutes 1998, section 297A.15, subdivision 5, is repealed.

(b) Minnesota Statutes 1998, sections 289A.60, subdivision 15; 297F.09, subdivision 6; and 297G.09, subdivision 5, are repealed.

Sec. 9. [EFFECTIVE DATE.]

Sections 1, 2, 3, 6, 7, 8, and 9, paragraph (b), are effective for returns due after January 1, 2000.

Sections 4, 5, and 9, paragraph (a), are effective for sales and purchases occurring on or after July 1, 1999.

## ARTICLE 5

### PASSENGER AUTOMOBILE REGISTRATION TAX

Section 1. Minnesota Statutes 1998, section 168.013, subdivision 1a, is amended to read:

Subd. 1a. [PASSENGER AUTOMOBILE; HEARSE.] (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 1.25 percent of the base value.

(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.

For registration of passenger automobiles, other than the initial registration of a new passenger automobile, the annual additional tax shall not exceed \$100.

(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. 2. [FUNDS TRANSFER.]

The commissioner shall include a minimum transfer of \$75,000,000 for fiscal year 2000 from the general fund to the highway user tax distribution fund. In fiscal year 2001 and each fiscal year thereafter, the commissioner of revenue shall include a minimum transfer of \$150,000,000 from the general fund to the highway user tax distribution fund.

#### Sec. 3. [EFFECTIVE DATE.]

Section 1 is effective for motor vehicle taxes due on registrations required to be made on or after January 1, 2000.

### ARTICLE 6

#### CORPORATE FRANCHISE TAX

Section 1. Minnesota Statutes 1998, section 290.17, subdivision 6, is amended to read:

Subd. 6. [NONBUSINESS INCOME.] (a) For a trade or business for which allocation of income within and without this state is required, if the taxpayer has any income not connected with the trade or business carried on partly within and partly without this state that income must be allocated under subdivision 2. Intangible property is employed in a trade or business if the owner of the property holds it as a means of furthering the trade or business.

(b) A taxpayer may elect that all income, whether or not connected with the trade or business carried on partly within and partly without this state, is business income apportionable under subdivision 3 and is not subject to paragraph (a) and subdivision 2. The election is effective and irrevocable for the taxable year of the election and the following nine taxable years. The election is binding on all members of a unitary business.

#### Sec. 2. [APPORTIONMENT; PRE-1999 RETURNS.]



If a taxpayer that conducts a trade or business partly within and partly without this state treats any item of income, gain or loss, as apportionable under Minnesota Statutes, section 290.17, subdivision 3, on a return filed for a taxable year beginning before January 1, 1999, the commissioner may not challenge that treatment.

Sec. 3. [EFFECTIVE DATE.]

Section 1 is effective for taxable years beginning after December 31, 1998. Section 2 is effective on the day following final enactment and applies to any administrative or judicial challenge pending on or arising after the effective date.

ARTICLE 7

AUTOMATIC REBATE IN ENACTED BUDGET

Section 1. [16A.1522] [STATEMENT OF PURPOSE.]

(a) The state of Minnesota derives revenues from a variety of taxes, fees, and other sources.

(b) The general fund state budget is enacted for a two-year period based on a forecast of state revenues and authorized spending. The two-year biennial budget period begins July 1 of odd-numbered years and ends June 30 of odd-numbered years.

(c) Section 2 is intended to require that any positive unrestricted budgetary general fund balance in excess of one-half of one percent of total general fund biennial revenues at the close of the biennium be returned to the taxpayers of Minnesota in the form of a rebate, payable at the end of the budget period.

Sec. 2. [16A.1523] [REBATE REQUIREMENTS.]

(a) If, on the basis of a forecast of general fund revenues and expenditures in November of an even-numbered year or February of an odd-numbered year, the commissioner of finance projects that there will be a positive unrestricted budgetary general fund balance at the close of the biennium that exceeds one-half of one percent of total general fund biennial revenues, the commissioner of finance shall designate the entire balance as available for rebate to the taxpayers of Minnesota.

(b) If the commissioner of finance designates an amount for rebate in either forecast, then the governor shall present a plan to the legislature for rebating that amount to the taxpayers of Minnesota. The plan must provide for payments to begin no later than August 15 of the odd-numbered year. The legislature must adopt or modify any plan presented by the governor by April 15 of each odd-numbered year.

(c) In any odd-numbered year in which the legislature has not enacted legislation to distribute a positive unrestricted budgetary general fund balance, but such a positive balance in excess of one-half of one percent of the total general fund biennial revenues exists on June 30 of an odd-numbered year, the entire positive balance must be refunded to the taxpayers of Minnesota in the same manner as the preceding rebate.

(d) By July 15 of each odd-numbered year, the commissioner of finance shall certify to the commissioner of revenue the amount of revenues available for rebate as determined by preliminary June 30 end-of-year fiscal analysis.

(e) If the amount of a positive unrestricted budgetary general fund balance existing on June 30 of an odd-numbered year is less than one-half of one percent of the total general fund biennial revenues, the total amount of the positive balance shall be deposited into the tax relief account.

(f) Amounts certified for rebate by the commissioner of finance are appropriated from the general fund to the commissioner of revenue for the sole purpose of making the payments required by this section.

Sec. 3. [EFFECTIVE DATE.]

Sections 1 and 2 are effective September 1, 1999.

ARTICLE 8

REPEAL OF MINNESOTACARE TAXES

Section 1. Minnesota Statutes 1998, 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, and 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~~ paragraph (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); ~~or (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, except that the tax does not apply to premiums received for health plans as defined in section 62A.011, subdivision 3, or to premiums received for coverage described in section 62A.011, subdivision 3, clause (10).

(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)~~ (e) 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)~~ (f) 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. In determining the structural balance of the health care access fund for fiscal years 2000 and 2001, the commissioner shall disregard the transfer amount from the health care access fund to the general fund for expenditures associated with the services provided to pregnant women and children under the age of two enrolled in the MinnesotaCare program.~~

~~(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. Minnesota Statutes 1998, section 62J.041, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] (a) For purposes of this section, the following definitions apply.

(b) "Health plan company" has the definition provided in section 62Q.01.

(c) "Total expenditures" means incurred claims or expenditures on health care services, administrative expenses, charitable contributions, and all other payments made by health plan companies out of premium revenues.

(d) "Net expenditures" means total expenditures minus exempted taxes and assessments and payments or allocations made to establish or maintain reserves.

(e) "Exempted taxes and assessments" means direct payments for taxes to government agencies, contributions to the Minnesota comprehensive health association, the medical assistance provider's surcharge under section 256.9657, the MinnesotaCare provider tax under Minnesota Statutes 1998, section 295.52, assessments by the health coverage reinsurance association, assessments by the Minnesota life and health insurance guaranty association, assessments by the Minnesota risk adjustment association, and any new assessments imposed by federal or state law.

(f) "Consumer cost-sharing or subscriber liability" means enrollee coinsurance, copayment, deductible payments, and amounts in excess of benefit plan maximums.

Sec. 3. Minnesota Statutes 1998, section 62Q.095, subdivision 6, is amended to read:

Subd. 6. [EXEMPTION.] A health plan company, to the extent that it operates as a staff model health plan company as ~~defined in section 295.50, subdivision 12b,~~ by employing allied independent health care providers to deliver health care services to enrollees, is exempt from this section. For purposes of this subdivision, "staff model health plan company" means a health plan company as defined in section 62Q.01, subdivision 4, which employs one or more types of health care providers to deliver health care services to the health plan company's enrollees.

Sec. 4. Minnesota Statutes 1998, section 62R.24, is amended to read:

62R.24 [TAXES AND ASSESSMENTS.]

Effective January 1, 1998, as a condition to entering a contract described in section 62R.17, a self-insured employer plan or the qualified employer must voluntarily pay ~~the one percent premium tax imposed in section 60A.15, subdivision 1, paragraph (d),~~ and assessments by the Minnesota Comprehensive Health Association.

Sec. 5. Minnesota Statutes 1998, section 214.16, subdivision 2, is amended to read:

Subd. 2. [BOARD COOPERATION REQUIRED.] The board shall assist the commissioner of health in data collection activities required under Laws 1992, chapter 549, article 7, ~~and shall assist the commissioner of revenue in activities related to collection of the health care provider tax required under Laws 1992, chapter 549, article 9.~~ Upon the request of the commissioner ~~or the commissioner of revenue,~~ the board shall make available names and addresses of current licensees and provide other information or assistance as needed.

Sec. 6. Minnesota Statutes 1998, section 214.16, subdivision 3, is amended to read:

Subd. 3. [GROUNDS FOR DISCIPLINARY ACTION.] The board shall take disciplinary action, which may include license revocation, against a regulated person for:

(1) intentional failure to provide the commissioner of health with the data required under chapter 62J;

~~(2) intentional failure to provide the commissioner of revenue with data on gross revenue and other information required for the commissioner to implement sections 295.50 to 295.58;~~

~~(3) intentional failure to pay the health care provider tax required under section 295.52; and~~

(4) (2) entering into a contract or arrangement that is prohibited under sections 62J.70 to 62J.73.

Sec. 7. Minnesota Statutes 1998, section 256L.02, subdivision 3, is amended to read:

Subd. 3. [FINANCIAL MANAGEMENT.] (a) ~~The commissioner shall manage spending for the MinnesotaCare program in a manner that maintains a minimum reserve in accordance with section 16A.76.~~ As part of each state revenue and expenditure forecast, the commissioner must make an assessment of the expected expenditures for the covered services for the remainder of the current biennium and for the following biennium. The estimated expenditure, ~~including the reserve requirements described in section 16A.76,~~ shall be compared to an estimate of the revenues that will be available in the health care access fund the appropriations for the MinnesotaCare program. In making the comparison for the following biennium, the commissioner shall assume that the appropriations for the current biennium will be increased by the projected increase in the consumer price index. Based on this comparison, and after consulting with the chairs of the house ways and means committee and the senate finance committee, and the legislative commission on health care access, the commissioner shall, as necessary, make the adjustments specified in paragraph (b) to ensure that expenditures remain within the ~~limits of available revenues for the remainder of the current biennium and for the following biennium~~ actual and projected appropriations for the MinnesotaCare program. The commissioner shall not hire additional staff using ~~appropriations from the health care access fund for MinnesotaCare until the commissioner of finance makes a determination that the adjustments implemented under paragraph (b) are sufficient to allow MinnesotaCare expenditures to remain within the limits of available revenues~~

actual and projected appropriations for the remainder of the current biennium and for the following biennium.

(b) The adjustments the commissioner shall use must be implemented in this order: first, stop enrollment of single adults and households without children; second, upon 45 days' notice, stop coverage of single adults and households without children already enrolled in the MinnesotaCare program; third, upon 90 days' notice, decrease the premium subsidy amounts by ten percent for families with gross annual income above 200 percent of the federal poverty guidelines; fourth, upon 90 days' notice, decrease the premium subsidy amounts by ten percent for families with gross annual income at or below 200 percent; and fifth, require applicants to be uninsured for at least six months prior to eligibility in the MinnesotaCare program. If these measures are insufficient to limit the expenditures to the estimated amount of revenue, the commissioner shall further limit enrollment or decrease premium subsidies.

Sec. 8. Minnesota Statutes 1998, section 270B.01, subdivision 8, is amended to read:

Subd. 8. [MINNESOTA TAX LAWS.] For purposes of this chapter only, unless expressly stated otherwise, "Minnesota tax laws" means the taxes, refunds, and fees administered by or paid to the commissioner under chapters 115B (except taxes imposed under sections 115B.21 to 115B.24), 289A (except taxes imposed under sections 298.01, 298.015, and 298.24), 290, 290A, 291, 297A, and 297H and sections 295.50 to 295.59, or any similar Indian tribal tax administered by the commissioner pursuant to any tax agreement between the state and the Indian tribal government, and includes any laws for the assessment, collection, and enforcement of those taxes, refunds, and fees.

Sec. 9. Minnesota Statutes 1998, section 270B.14, subdivision 1, is amended to read:

Subdivision 1. [DISCLOSURE TO COMMISSIONER OF HUMAN SERVICES.] (a) On the request of the commissioner of human services, the commissioner shall disclose return information regarding taxes imposed by chapter 290, and claims for refunds under chapter 290A, to the extent provided in paragraph (b) and for the purposes set forth in paragraph (c).

(b) Data that may be disclosed are limited to data relating to the identity, whereabouts, employment, income, and property of a person owing or alleged to be owing an obligation of child support.

(c) The commissioner of human services may request data only for the purposes of carrying out the child support enforcement program and to assist in the location of parents who have, or appear to have, deserted their children. Data received may be used only as set forth in section 256.978.

(d) The commissioner shall provide the records and information necessary to administer the supplemental housing allowance to the commissioner of human services.

(e) At the request of the commissioner of human services, the commissioner of revenue shall electronically match the social security numbers and names of participants in the telephone assistance plan operated under sections 237.69 to 237.711, with those of property tax refund filers, and determine whether each participant's household income is within the eligibility standards for the telephone assistance plan.

(f) The commissioner may provide records and information collected under Minnesota Statutes 1998, sections 295.50 to 295.59, to the commissioner of human services for purposes of the Medicaid Voluntary Contribution and Provider-Specific Tax Amendments of 1991, Public Law Number 102-234. Upon the written agreement by the United States Department of Health and Human Services to maintain the confidentiality of the data, the commissioner may provide records and information collected under Minnesota Statutes 1998, sections 295.50 to 295.59, to the Health Care Financing Administration section of the United States Department of Health and Human Services for purposes of meeting federal reporting requirements.

(g) The commissioner may provide records and information to the commissioner of human services as necessary to administer the early refund of refundable tax credits.

(h) The commissioner may disclose information to the commissioner of human services necessary to verify income for eligibility and premium payment under the MinnesotaCare program, under section 256L.05, subdivision 2.

Sec. 10. [REPEAL OF HEALTH CARE ACCESS FUND.]

Subdivision 1. [TRANSFER TO GENERAL FUND.] Upon the repeal of the health care access fund under section 11, the commissioner of finance shall transfer any funds in the health care access fund to the general fund and the health care access fund is combined with and becomes part of the general fund.

Subd. 2. [REVISOR'S INSTRUCTION.] In the next edition of Minnesota Statutes, the revisor of statutes shall substitute "general fund" for "health care access fund" each place health care access fund appears.

Sec. 11. [REPEALER.]

Minnesota Statutes 1998, sections 13.99, subdivision 86b; 16A.724; 16A.76; 62T.10; 144.1484, subdivision 2; 256L.02, subdivision 4; 295.50; 295.51; 295.52; 295.53; 295.54; 295.55; 295.56; 295.57; 295.58; 295.581; 295.582; and 295.59, are repealed.

Sec. 12. [EFFECTIVE DATE.]

Sections 1 to 11 are effective July 1, 1999."

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 36, as follows:

Those who voted in the affirmative were:

Belanger	Johnson, D.E.	Laidig	Pariseau	Terwilliger
Berg	Johnson, D.H.	Larson	Robertson	Wiger
Day	Kierlin	Lesewski	Robling	Ziegler
Dille	Kiscaden	Limmer	Runbeck	
Fischbach	Kleis	Neuville	Scheevel	
Frederickson	Knutson	Oliver	Stevens	

Those who voted in the negative were:

Anderson	Janezich	Lessard	Piper	Stumpf
Berglin	Johnson, D.J.	Lourey	Pogemiller	Ten Eyck
Betzold	Johnson, J.B.	Marty	Price	Vickerman
Cohen	Junge	Metzen	Ranum	Wiener
Flynn	Kelley, S.P.	Moe, R.D.	Sams	
Foley	Kelly, R.C.	Murphy	Samuelson	
Hanson	Krentz	Novak	Scheid	
Hottinger	Langseth	Pappas	Spear	

The motion did not prevail. So the amendment was not adopted.

Senator Lesewski moved to amend H.F. No. 2420, as amended by the Senate April 30, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 1276.)

Pages 46 to 66, delete article 7

ReNUMBER the articles 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 25 and nays 37, as follows:

Those who voted in the affirmative were:

Belanger	Frederickson	Laidig	Neuville	Runbeck
Berg	Johnson, D.E.	Larson	Oliver	Scheevel
Day	Kierlin	Lesewski	Pariseau	Stevens
Dille	Kleis	Lessard	Robertson	Terwilliger
Fischbach	Knutson	Limmer	Robling	Ziegler

Those who voted in the negative were:

Anderson	Janezich	Langseth	Piper	Stumpf
Berglin	Johnson, D.H.	Lourey	Pogemiller	Ten Eyck
Betzold	Johnson, D.J.	Marty	Price	Vickerman
Cohen	Johnson, J.B.	Metzen	Ranum	Wiener
Flynn	Junge	Moe, R.D.	Sams	Wiger
Foley	Kelley, S.P.	Murphy	Samuelson	
Hanson	Kelly, R.C.	Novak	Scheid	
Hottinger	Krentz	Pappas	Spear	

The motion did not prevail. So the amendment was not adopted.

Senator Belanger moved to amend H.F. No. 2420, as amended by the Senate April 30, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 1276.)

Page 14, lines 19 and 30, delete "5.5" and insert "5.36"

Page 14, lines 21 and 32, delete "7.5" and insert "7.15"

Page 14, lines 22 and 33, strike "8.5" and insert "7.59"

Page 15, line 2, delete "5.5" and insert "5.36"

Page 15, line 4, delete "7.5" and insert "7.15"

Page 15, line 5, strike "8.5" and insert "7.59"

The question was taken on the adoption of the amendment.

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.	Laidig	Pariseau	Terwilliger
Berg	Johnson, D.H.	Larson	Robertson	Ziegler
Day	Kierlin	Lesewski	Robling	
Dille	Kiscaden	Limmer	Runbeck	
Fischbach	Kleis	Neuville	Scheevel	
Frederickson	Knutson	Oliver	Stevens	

Those who voted in the negative were:

Anderson	Hottinger	Langseth	Piper	Spear
Berglin	Janezich	Lessard	Pogemiller	Stumpf
Betzold	Johnson, D.J.	Lourey	Price	Ten Eyck
Cohen	Johnson, J.B.	Marty	Ranum	Vickerman
Flynn	Kelley, S.P.	Metzen	Sams	Wiener
Foley	Kelly, R.C.	Moe, R.D.	Samuelson	
Hanson	Krentz	Pappas	Scheid	

The motion did not prevail. So the amendment was not adopted.

Senator Larson moved to amend H.F. No. 2420, as amended by the Senate April 30, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 1276.)

Page 40, after line 28, insert:

"Sec. 5. [CITY OF BABBITT; SALES TAX EXEMPTION FOR CONSTRUCTION MATERIALS FOR MUNICIPAL BUILDING.]

Purchases of materials and supplies used or consumed in and equipment incorporated into the conversion, renovation, improvement, or expansion of the Emanuelson school building in the city of Babbitt are exempt from the tax imposed under Minnesota Statutes, chapter 297A, regardless of whether purchased by the owner, or by a contractor, subcontractor, or builder. The tax shall be calculated and paid as if the rate in Minnesota Statutes, section 297A.02, subdivision 1, was in effect and a refund applied for by the owner in the manner prescribed in Minnesota Statutes, section 297A.15, subdivision 7.

This exemption is effective for purchases made after January 1, 1999, and before January 1, 2002.

Sec. 6. [CITY OF BIWABIK; SALES TAX EXEMPTION FOR CONSTRUCTION MATERIALS FOR COMMUNITY PAVILION.]

Purchases of materials and supplies used or consumed in and equipment incorporated into the construction, improvement, or expansion of the community pavilion in the city of Biwabik are exempt from the tax imposed under Minnesota Statutes, chapter 297A, regardless of whether purchased by the owner, or a contractor, subcontractor, or builder. The tax shall be calculated and paid as if the rate in Minnesota Statutes, section 297A.02, subdivision 1, was in effect and a refund applied for in the manner prescribed in Minnesota Statutes, section 297A.15, subdivision 7.

This exemption is effective for purchases made after April 30, 1998, and before January 1, 1999.

Sec. 7. [SALES TAX EXEMPTION FOR CONSTRUCTION MATERIALS FOR CENTRAL MINNESOTA EVENTS CENTER.]

Purchases of materials and supplies used or consumed in and equipment incorporated into the construction, improvement, or expansion of the Central Minnesota events center are exempt from the tax imposed under Minnesota Statutes, chapter 297A, regardless of whether purchased by the owner, or a contractor, subcontractor, or builder. The tax shall be calculated and paid as if the rate in Minnesota Statutes, section 297A.02, subdivision 1, was in effect and a refund applied for in the manner prescribed in Minnesota Statutes, section 297A.15, subdivision 7.

This exemption is effective for purchases made after January 1, 2000, and before June 30, 2002.

Sec. 8. [CITY OF CROSBY; SALES TAX EXEMPTION FOR CONSTRUCTION MATERIALS FOR HALLETT COMMUNITY CENTER.]

Purchases of materials and supplies used or consumed in and equipment incorporated into the construction, improvement, or expansion of the Hallett community center in the city of Crosby are exempt from the tax imposed under Minnesota Statutes, chapter 297A, regardless of whether purchased by the owner, or a contractor, subcontractor, or builder. The tax shall be calculated and paid as if the rate in Minnesota Statutes, section 297A.02, subdivision 1, was in effect and a refund applied for in the manner prescribed in Minnesota Statutes, section 297A.15, subdivision 7.

This exemption is effective for purchases made after October 1, 1998, and before October 1, 1999.

Sec. 9. [DAKOTA COUNTY; SALES TAX EXEMPTION FOR CONSTRUCTION MATERIALS FOR COUNTY LIBRARIES.]

Purchases of materials and supplies used or consumed in and equipment incorporated into the construction, improvement, or expansion of county libraries in the cities of Lakeville and Inver Grove Heights are exempt from the tax imposed under Minnesota Statutes, chapter 297A,



regardless of whether purchased by the owner or by a contractor, subcontractor, or builder. The tax shall be calculated and paid as if the rate in Minnesota Statutes, section 297A.02, subdivision 1, was in effect and a refund applied for in the manner prescribed in Minnesota Statutes, section 297A.15, subdivision 7.

This exemption is effective for purchases made after October 1, 1998, and before December 31, 2000.

Sec. 10. [DEEP PORTAGE ENVIRONMENTAL LEARNING CENTER; SALES TAX EXEMPTION FOR CONSTRUCTION MATERIALS.]

Purchase of materials and supplies used or consumed in and equipment incorporated into the construction of the Deep Portage environmental learning center are exempt from the tax imposed under Minnesota Statutes, chapter 297A, regardless of whether purchased by the owner or a contractor, subcontractor, or builder. The tax must be calculated and paid as if the rate in Minnesota Statutes, section 297A.02, subdivision 1, was in effect and a refund applied for in the manner prescribed in Minnesota Statutes, section 297A.15, subdivision 7.

This exemption is effective for sales after June 30, 1999.

Sec. 11. [CITY OF FERGUS FALLS; SALES TAX EXEMPTION FOR CONSTRUCTION MATERIALS FOR COMMUNITY CENTER.]

Purchases of materials and supplies used or consumed in and equipment incorporated into the construction of a community center in the city of Fergus Falls are exempt from the tax imposed under Minnesota Statutes, chapter 297A, regardless of whether purchased by the owner, or a contractor, subcontractor, or builder. The tax shall be calculated and paid as if the rate in Minnesota Statutes, section 297A.02, subdivision 1, was in effect and a refund applied for by the owner in the manner prescribed in Minnesota Statutes, section 297A.15, subdivision 7.

This exemption is effective for purchases made after June 30, 1999, and before January 1, 2002.

Sec. 12. [CITY OF FRAZEE; SALES TAX EXEMPTION FOR CONSTRUCTION MATERIALS FOR COMMUNITY CENTER.]

Purchases of materials and supplies used or consumed in and equipment incorporated into the construction of a community center by a nonprofit corporation in the city of Frazee are exempt from the tax imposed under Minnesota Statutes, chapter 297A. This exemption applies regardless of whether the materials and supplies are purchased by the owner or by a contractor, subcontractor, or builder. To qualify for the exemption under this subdivision, the nonprofit corporation must have a signed letter of intent by March 31, 1999, with the city of Frazee to donate the center to the city upon completion of construction. The tax shall be calculated and paid as if the rate in Minnesota Statutes, section 297A.02, subdivision 1, was in effect and a refund applied for in the manner prescribed in Minnesota Statutes, section 297A.15, subdivision 7.

This exemption is effective for purchases made after the date of final enactment and before June 30, 2000.

Sec. 13. [CITY OF GRANITE FALLS; SALES TAX EXEMPTION FOR CONSTRUCTION MATERIALS FOR MULTIPURPOSE CENTER.]

Purchases of materials and supplies used or consumed in and equipment incorporated into the construction, improvement, or expansion of the Granite Falls multipurpose center in the city of Granite Falls are exempt from the tax imposed under Minnesota Statutes, chapter 297A, regardless of whether purchased by the owner, or a contractor, subcontractor, or builder. The tax shall be calculated and paid as if the rate in Minnesota Statutes, section 297A.02, subdivision 1, was in effect and a refund applied for in the manner prescribed in Minnesota Statutes, section 297A.15, subdivision 7.

This exemption is effective for purchases made after January 1, 1999, and before June 30, 2000.

Sec. 14. [CITY OF HERMANTOWN; SALES TAX EXEMPTION FOR CONSTRUCTION MATERIALS FOR COMMUNITY INDOOR SPORTS AND PHYSICAL EDUCATION COMPLEX.]

Purchases of materials and supplies used or consumed in and equipment incorporated into the construction, improvement, or expansion of the indoor sports and physical education complex in the city of Hermantown are exempt from the tax imposed under Minnesota Statutes, chapter 297A, regardless of whether purchased by the owner, or by a contractor, subcontractor, or builder. The tax shall be calculated and paid as if the rate in Minnesota Statutes, section 297A.02, subdivision 1, was in effect and a refund applied for in the manner prescribed in Minnesota Statutes, section 297A.15, subdivision 7.

This exemption is effective for purchases made after December 31, 1999.

Sec. 15. [CITY OF PROCTOR; SALES TAX EXEMPTION FOR CONSTRUCTION MATERIALS FOR COMMUNITY ACTIVITY CENTER.]

Purchases of materials and supplies used or consumed in and equipment incorporated into the construction, improvement, or expansion of the community activity center in the city of Proctor are exempt from the tax imposed under Minnesota Statutes, chapter 297A, regardless of whether purchased by the owner, or by a contractor, subcontractor, or builder. The tax shall be calculated and paid as if the rate in Minnesota Statutes, section 297A.02, subdivision 1, was in effect and a refund applied for in the manner prescribed in Minnesota Statutes, section 297A.15, subdivision 7.

This exemption is effective for purchases made after June 30, 1999.

Sec. 16. [LAKE CRYSTAL AREA; SALES TAX EXEMPTION FOR CONSTRUCTION MATERIALS FOR RECREATION CENTER.]

Purchases of materials and supplies used or consumed in and equipment incorporated into the construction and improvement of the Lake Crystal area recreation center are exempt from the tax imposed under Minnesota Statutes, chapter 297A, regardless of whether purchased by the owner, or a contractor, subcontractor, or builder. The tax shall be calculated and paid as if the rate in Minnesota Statutes, section 297A.02, subdivision 1, was in effect and a refund applied for by the owner in the manner prescribed in Minnesota Statutes, section 297A.15, subdivision 7.

This exemption is effective for purchases made after June 30, 1999.

Sec. 17. [CITY OF NEW ULM; SALES TAX EXEMPTION FOR CONSTRUCTION MATERIALS FOR CIVIC AND COMMUNITY CENTER.]

Purchases of materials and supplies used or consumed in and equipment incorporated into the construction of a civic and community center in the city of New Ulm are exempt from the tax imposed under Minnesota Statutes, chapter 297A, regardless of whether purchased by the owner, or by a contractor, subcontractor, or builder. The tax shall be calculated and paid as if the rate in Minnesota Statutes, section 297A.02, subdivision 1, was in effect and a refund applied for in the manner prescribed in Minnesota Statutes, section 297A.15, subdivision 7.

This exemption is effective for purchases made after June 30, 1999.

Sec. 18. [PEARL STREET 9-1-1 CENTER; SALES TAX EXEMPTION FOR CONSTRUCTION MATERIALS.]

Purchases of materials and supplies used or consumed in and equipment incorporated into or associated with the construction, improvement, or expansion of the Pearl Street 9-1-1 center in the city of Owatonna are exempt from the tax imposed under Minnesota Statutes, chapter 297A, regardless of whether purchased by the owner, or by a contractor, subcontractor, or builder. The tax shall be calculated and paid as if the rate in Minnesota Statutes, section 297A.02, subdivision 1, was in effect and a refund applied for in the manner prescribed in Minnesota Statutes, section 297A.15, subdivision 7.

This exemption is effective for purchases made after July 31, 1997, and before July 1, 1999.

Sec. 19. [CITY OF PINE CITY; SALES TAX EXEMPTION FOR CONSTRUCTION MATERIALS FOR COMMUNITY CENTER.]

Purchases of materials and supplies used or consumed in and equipment incorporated into the construction of a community center in the city of Pine City are exempt from the tax imposed under Minnesota Statutes, chapter 297A, regardless of whether purchased by the owner, or by a contractor, subcontractor, or builder. The tax shall be calculated and paid as if the rate in Minnesota Statutes, section 297A.02, subdivision 1, was in effect and a refund applied for in the manner prescribed in Minnesota Statutes, section 297A.15, subdivision 7.

This exemption is effective for purchases made after March 1, 1999, and before January 1, 2000.

Sec. 20. [CITY OF REDWOOD FALLS; SALES TAX EXEMPTION FOR CONSTRUCTION MATERIALS FOR COMMUNITY CENTER.]

Purchases of materials and supplies used or consumed in and equipment incorporated into the construction, improvement, or expansion of a community center by the city of Redwood Falls are exempt from the tax imposed under Minnesota Statutes, chapter 297A, regardless of whether purchased by the owner, or by a contractor, subcontractor, or builder. The tax shall be calculated and paid as if the rate in Minnesota Statutes, section 297A.02, subdivision 1, was in effect and a refund applied for in the manner prescribed in Minnesota Statutes, section 297A.15, subdivision 7.

This exemption is effective for purchases made after June 30, 1999, and before July 1, 2001.

Sec. 21. [REGIONAL EMERGENCY RESPONSE AND FIRE TRAINING CENTER; SALES TAX EXEMPTION FOR CONSTRUCTION MATERIALS.]

Purchases of materials and supplies used or consumed in and equipment incorporated into the construction of a regional emergency response and fire training center under Laws 1998, chapter 404, section 21, subdivision 4, are exempt from the tax imposed under Minnesota Statutes, chapter 297A, regardless of whether purchased by the owner, or by a contractor, subcontractor, or builder. The tax shall be calculated and paid as if the rate in Minnesota Statutes, section 297A.02, subdivision 1, was in effect and a refund applied for in the manner prescribed in Minnesota Statutes, section 297A.15, subdivision 7.

This exemption is effective for purchases made after June 30, 1999.

Sec. 22. [CITY OF ROCHESTER; SALES TAX EXEMPTION FOR CONSTRUCTION MATERIALS FOR MAYO CIVIC CENTER.]

Purchases of materials and supplies used or consumed in and equipment incorporated into the construction, improvement, or expansion of the Mayo civic center in the city of Rochester are exempt from the tax imposed under Minnesota Statutes, chapter 297A, regardless of whether purchased by the owner, or by a contractor, subcontractor, or builder. The tax shall be calculated and paid as if the rate in Minnesota Statutes, section 297A.02, subdivision 1, was in effect and a refund applied for in the manner prescribed in Minnesota Statutes, section 297A.15, subdivision 7.

This exemption is effective for purchases made after August 1, 1998, and before July 1, 2002.

Sec. 23. [CITY OF ST. PETER; SALES TAX EXEMPTION FOR CONSTRUCTION MATERIALS FOR COMMUNITY CENTER.]

Purchases of materials and supplies used or consumed in and equipment incorporated into the construction of a community center in the city of St. Peter are exempt from the tax imposed under Minnesota Statutes, chapter 297A, regardless of whether purchased by the owner, or by a contractor, subcontractor, or builder. The tax shall be calculated and paid as if the rate in Minnesota Statutes, section 297A.02, subdivision 1, was in effect and a refund applied for in the manner prescribed in Minnesota Statutes, section 297A.15, subdivision 7.

This exemption is effective for purchases made after March 1, 1999, and before January 1, 2000.

Sec. 24. [CITY OF SPRINGFIELD; SALES TAX EXEMPTION FOR CONSTRUCTION MATERIALS FOR COMMUNITY CENTER.]

Purchases of materials and supplies used or consumed in and equipment incorporated into the construction of a community center in the city of Springfield are exempt from the tax imposed under Minnesota Statutes, chapter 297A, regardless of whether purchased by the owner, or by a contractor, subcontractor, or builder. The tax shall be calculated and paid as if the rate in Minnesota Statutes, section 297A.02, subdivision 1, was in effect and a refund applied for in the manner prescribed in Minnesota Statutes, section 297A.15, subdivision 7.

This exemption is effective for purchases made after March 1, 1999, and before January 1, 2000.

Sec. 25. [CITY OF WINDOM; EXEMPTION FROM SALES TAX FOR CONSTRUCTION MATERIALS FOR MULTIPURPOSE CENTER.]

Purchases of materials and supplies used or consumed in and equipment incorporated into the construction, improvement, or expansion of the Windom multipurpose center in the city of Windom are exempt from the tax imposed under Minnesota Statutes, chapter 297A. This exemption applies regardless of whether the materials and supplies are purchased by the owner, or by a contractor, subcontractor, or builder. The tax shall be calculated and paid as if the rate in Minnesota Statutes, section 297A.02, subdivision 1, was in effect and a refund applied for in the manner prescribed in Minnesota Statutes, section 297A.15, subdivision 7.

This exemption is effective for purchases made after January 1, 1999, and before June 30, 2000."

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 31, as follows:

Those who voted in the affirmative were:

Belanger	Johnson, D.E.	Laidig	Oliver	Stevens
Berg	Kelly, R.C.	Larson	Pariseau	Ten Eyck
Day	Kierlin	Lesewski	Robertson	Terwilliger
Dille	Kiscaden	Lessard	Runbeck	Wiger
Fischbach	Kleis	Limmer	Sams	Ziegler
Frederickson	Knutson	Neuville	Scheevel	

Those who voted in the negative were:

Anderson	Hottinger	Krentz	Piper	Stumpf
Berglin	Janezich	Langseth	Pogemiller	Vickerman
Betzold	Johnson, D.H.	Lourey	Price	Wiener
Cohen	Johnson, D.J.	Marty	Ranum	
Flynn	Johnson, J.B.	Metzen	Samuelson	
Foley	Junge	Moe, R.D.	Scheid	
Higgins	Kelley, S.P.	Novak	Spear	

The motion did not prevail. So the amendment was not adopted.

Senator Knutson moved to amend H.F. No. 2420, as amended by the Senate April 30, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 1276.)

Page 14, lines 19 and 20, delete "\$29,930" and insert "\$34,500"

Page 14, lines 21 and 22, delete "\$100,200" and insert "\$113,360"

Page 19, after line 34, insert:

"Sec. 9. Minnesota Statutes 1998, 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."

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.

Senator Kleis moved to amend H.F. No. 2420, as amended by the Senate April 30, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 1276.)

Page 13, line 26, delete "and"

Page 13, line 31, after "person" insert "; and

(15) to the extent included in federal income, the first \$3,000 of compensation for personal services in the armed forces of the United States or the United Nations, including personal services performed as a member of the National Guard and United States military reserves, not including retirement benefits"

Pursuant to Rule 22, Senator Johnson, D.E. moved that he be excused from voting on the Kleis amendment to H.F. No. 2420. The motion prevailed.

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 25 and nays 35, as follows:

Those who voted in the affirmative were:

Belanger	Frederickson	Lesewski	Pariseau	Scheevel
Berg	Kierlin	Limmer	Robertson	Stevens
Day	Kiscaden	Metzen	Robling	Terwilliger
Dille	Kleis	Neuville	Runbeck	Wiger
Fischbach	Knutson	Oliver	Sams	Ziegler

Those who voted in the negative were:

Anderson	Higgins	Kelley, S.P.	Murphy	Samuelson
Berglin	Hottinger	Kelly, R.C.	Novak	Scheid
Betzold	Janezich	Krentz	Pappas	Spear
Cohen	Johnson, D.H.	Langseth	Piper	Stumpf
Flynn	Johnson, D.J.	Lessard	Pogemiller	Ten Eyck
Foley	Johnson, J.B.	Lourey	Price	Vickerman
Hanson	Junge	Moe, R.D.	Ranum	Wiener

The motion did not prevail. So the amendment was not adopted.

Senator Scheid moved to amend H.F. No. 2420, as amended by the Senate April 30, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 1276.)

Page 251, after line 2, insert:

"Sec. 8. Minnesota Statutes 1998, section 287.01, subdivision 3, as amended by Laws 1999, chapter 31, section 1, is amended to read:

Subd. 3. [ DEBT.] "Debt" means the principal amount of an obligation to pay money ~~or to perform or refrain from performing an act~~ that is secured in whole or in part by a mortgage of an interest in real property.

Sec. 9. Minnesota Statutes 1998, section 287.05, subdivision 1, as amended by Laws 1999, chapter 31, section 5, is amended to read:

Subdivision 1. [ REAL PROPERTY OUTSIDE MINNESOTA.] (a) When a multistate mortgage is intended to secure only a portion of a debt amount recited or referred to in the mortgage, the mortgage may contain the following statement, or its equivalent, on the first page: "Notwithstanding anything to the contrary herein, enforcement of this mortgage in Minnesota is limited to a debt amount of \$..... under chapter 287 of Minnesota Statutes." In such case, the tax shall be imposed based only on the amount of debt so stated to be secured by real property located in this state; and, the effect of the mortgage, or any amendment or extension, as evidence in any court in this state, or as notice for any purpose in this state, shall be limited to the amount contained in the statement and for which the tax has been paid and additional amounts for accrued interest and advances not subject to tax under section 287.035 or 287.05, subdivision 4.

(b) All multistate mortgages not taxed under paragraph (a) shall be taxed under sections 287.01 to 287.13 as if the real property identified in the mortgage secures payment of that portion of the maximum debt amount referred to, or incorporated by reference, in the mortgage that is equal to a fraction the numerator of which is the value of the real property described in the mortgage that is located in this state and the denominator of which is the value of all the real property described in the mortgage.

Sec. 10. Minnesota Statutes 1998, section 287.05, subdivision 1a, as amended by Laws 1999, chapter 31, section 5, is amended to read:

Subd. 1a. [REAL PROPERTY IN THIS STATE SECURES PORTION OF DEBT.] (a) When the real property identified in a mortgage is located entirely in this state and is intended to secure only a portion of a debt amount recited or referred to in the mortgage, the mortgage may contain the following statement, or its equivalent, on the first page: "Notwithstanding anything to the contrary herein, enforcement of this mortgage is limited to a debt amount of \$..... under chapter 287 of Minnesota Statutes." In such case, the tax shall be imposed based only on the amount of debt so stated to be secured by real property; and, the effect of the mortgage, or any amendment or extension, as evidence in any court in this state, or as notice for any purpose in this state, shall be limited to the amount contained in the statement and for which the tax has been paid and additional amounts for accrued interest and advances not subject to tax under section 287.035 or 287.05, subdivision 4.

(b) All mortgages that are not multistate mortgages and that are not taxed under paragraph (a)

shall be taxed under sections 287.01 to 287.13 as if the real property identified in the mortgage secures payment of the maximum debt amount referred to, or incorporated by reference, in the mortgage."

Page 255, after line 20, insert:

"Sections 8 to 10 are effective for documents executed, recorded, or registered after June 30, 1999."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Frederickson moved to amend H.F. No. 2420, as amended by the Senate April 30, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 1276.)

Page 36, delete lines 15 to 24

Page 36, line 25, delete "(d)" and insert "(c)"

Page 36, line 27, delete "(e)" and insert "(d)"

The motion prevailed. So the amendment was adopted.

Senator Larson moved to amend H.F. No. 2420, as amended by the Senate April 30, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 1276.)

Page 86, after line 30, insert:

"Sec. 8. Minnesota Statutes 1998, section 273.11, subdivision 1a, is amended to read:

Subd. 1a. [LIMITED MARKET VALUE.] ~~In the case of all property classified as agricultural homestead or nonhomestead, residential homestead or nonhomestead, or noncommercial seasonal recreational residential, the assessor shall compare the value with that determined in the preceding assessment. The amount of the increase entered in the current assessment shall not exceed the greater of (1) ten percent of the value in the preceding assessment, or (2) one-fourth of the difference between the current assessment and the preceding assessment. (a) Property classified under section 273.13 may not have a market value for property tax purposes greater than the sum of:~~

(1) its estimated market value for the previous assessment year or, if applicable, its limited market value for the previous assessment year, plus

(2) an amount obtained by multiplying the market value in clause (1) by the lesser of (i) five percent or (ii) the percentage rate of increase in the Consumer Price Index for the 12-month period ending October of the preceding assessment year.

This limitation shall not apply to increases in value due to improvements. For purposes of this subdivision, the term "assessment" "market value" means the value prior to any exclusion under subdivision 16.

~~The provisions of this subdivision shall be in effect only for assessment years 1993 through 2001.~~

(b) For the first assessment year after the sale or conveyance of property for which the assessor's estimated market value is greater than the market value determined under this subdivision, the value of the property for property tax purposes shall be increased to the assessor's estimated market value.

(c) For purposes of this subdivision, "Consumer Price Index" means the Consumer Price Index of all urban consumers as determined by the United States Department of Labor, Bureau of Labor Statistics.

(d) For purposes of the assessment/sales ratio study conducted under section 127A.48, and the computation of state aids paid under chapters 122A, 123A, 123B, 124D, 125A, 126C, 127A, and 477A, market values and net tax capacities determined under this subdivision and subdivision 16, shall be used."

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 34, as follows:

Those who voted in the affirmative were:

Berg	Johnson, J.B.	Larson	Novak	Samuelson
Day	Kierlin	Lesewski	Oliver	Scheevel
Dille	Kiscaden	Lessard	Pariseau	Stevens
Fischbach	Kleis	Limmer	Robertson	Wiger
Frederickson	Knutson	Metzen	Runbeck	Ziegler
Johnson, D.E.	Krentz	Neuville	Sams	

Those who voted in the negative were:

Anderson	Hanson	Kelly, R.C.	Pappas	Spear
Belanger	Higgins	Laidig	Piper	Stumpf
Berglin	Hottinger	Langseth	Pogemiller	Ten Eyck
Betzold	Janezich	Lourey	Price	Terwilliger
Cohen	Johnson, D.H.	Marty	Ranum	Vickerman
Flynn	Junge	Moe, R.D.	Robling	Wiener
Foley	Kelley, S.P.	Murphy	Scheid	

The motion did not prevail. So the amendment was not adopted.

Senator Larson then moved to amend H.F. No. 2420, as amended by the Senate April 30, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 1276.)

Page 86, after line 30, insert:

"Sec. 8. Minnesota Statutes 1998, section 273.11, subdivision 1a, is amended to read:

Subd. 1a. [LIMITED MARKET VALUE.] ~~In the case of all~~ (a) Property classified as ~~agricultural homestead or nonhomestead, residential homestead or nonhomestead, or noncommercial seasonal recreational residential,~~ the assessor shall compare the value with that determined in the preceding assessment. The amount of the increase entered in the current assessment shall not exceed the greater of (1) ten percent of the value in the preceding assessment, or (2) one-fourth of the difference between the current assessment and the preceding assessment under section 273.13 may not have a market value for property tax purposes greater than the sum of:

(1) its estimated market value for the previous assessment year or, if applicable, its limited market value for the previous assessment year, plus

(2) an amount obtained by multiplying the market value in clause (1) by the greater of (i) five percent or (ii) the percentage rate of increase in the Consumer Price Index for the 12-month period ending October of the preceding assessment year.

This limitation shall not apply to increases in value due to improvements. For purposes of this subdivision, the term "assessment" "market value" means the value prior to any exclusion under subdivision 16.



~~The provisions of this subdivision shall be in effect only for assessment years 1993 through 2001.~~

(b) For the first assessment year after the sale or conveyance of property for which the assessor's estimated market value is greater than the market value determined under this subdivision, the value of the property for property tax purposes shall be increased to the assessor's estimated market value.

(c) For purposes of this subdivision, "Consumer Price Index" means the Consumer Price Index of all urban consumers as determined by the United States Department of Labor, Bureau of Labor Statistics.

(d) For purposes of the assessment/sales ratio study conducted under section 127A.48, and the computation of state aids paid under chapters 122A, 123A, 123B, 124D, 125A, 126C, 127A, and 477A, market values and net tax capacities determined under this subdivision and subdivision 16, shall be used."

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 30 and nays 33, as follows:

Those who voted in the affirmative were:

Berg	Johnson, J.B.	Laidig	Neuville	Runbeck
Day	Kierlin	Larson	Novak	Sams
Dille	Kiscaden	Lesewski	Oliver	Scheevel
Fischbach	Kleis	Lessard	Pariseau	Stevens
Frederickson	Knutson	Limmer	Robertson	Wiger
Johnson, D.E.	Krentz	Metzen	Robling	Ziegler

Those who voted in the negative were:

Anderson	Hanson	Kelly, R.C.	Piper	Stumpf
Belanger	Higgins	Langseth	Pogemiller	Ten Eyck
Berglin	Hottinger	Lourey	Price	Terwilliger
Betzold	Janezich	Marty	Ranum	Vickerman
Cohen	Johnson, D.H.	Moe, R.D.	Samuelson	Wiener
Flynn	Junge	Murphy	Scheid	
Foley	Kelley, S.P.	Pappas	Spear	

The motion did not prevail. So the amendment was not adopted.

Senator Stevens moved to amend H.F. No. 2420, as amended by the Senate April 30, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 1276.)

Page 36, after line 5, insert:

"Sec. 2. Minnesota Statutes 1998, 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 six percent of the gross receipts from sales at retail made by any person in this state."

Page 40, line 31, after the period, insert "Section 2 is effective for sales and purchases occurring after June 30, 1999."

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 34, as follows:

Those who voted in the affirmative were:

Belanger	Hanson	Knutson	Oliver	Stevens
Berg	Johnson, D.E.	Laidig	Olson	Ten Eyck
Day	Kelly, R.C.	Larson	Robertson	Terwilliger
Dille	Kierlin	Lesewski	Robling	Wiger
Fischbach	Kiscaden	Limmer	Runbeck	Ziegler
Frederickson	Kleis	Neuville	Scheevel	

Those who voted in the negative were:

Anderson	Hottinger	Krentz	Novak	Samuelson
Berglin	Janezich	Langseth	Pappas	Scheid
Betzold	Johnson, D.H.	Lessard	Piper	Spear
Cohen	Johnson, D.J.	Lourey	Pogemiller	Stumpf
Flynn	Johnson, J.B.	Marty	Price	Vickerman
Foley	Junge	Metzen	Ranum	Wiener
Higgins	Kelley, S.P.	Moe, R.D.	Sams	

The motion did not prevail. So the amendment was not adopted.

Senator Marty moved to amend H.F. No. 2420, as amended by the Senate April 30, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 1276.)

Page 14, lines 19 and 30, delete "5.5" and insert "5.7"

Page 14, lines 21 and 32, delete "7.5" and insert "7.7"

Page 15, line 2, delete "5.5" and insert "5.7"

Page 15, line 4, delete "7.5" and insert "7.7"

Page 24, after line 35, insert:

"Sec. 13. [APPROPRIATION.]

\$300,000,000 is appropriated from the general fund to the commissioner of children, families, and learning to be expended for investments in young children, including sliding fee child care, early childhood family education, Head Start, family homeless prevention, and other cost-saving initiatives to help Minnesota children grow up safe, healthy, and prepared for school."

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.

Senator Limmer moved to amend H.F. No. 2420, as amended by the Senate April 30, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 1276.)

Page 36, after line 5, insert:

"Sec. 2. Minnesota Statutes 1998, 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 following governmental entities are exempt:

(1) the United States and its agencies and instrumentalities;

(2) the University of Minnesota, state universities, community colleges, technical colleges, state academies, and the Lola and Rudy Perpich Minnesota center for arts education, an instrumentality of a political subdivision that is accredited as an optional/special function school by the North Central Association of Colleges and Schools, school districts;

(3) 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; and

(4) political subdivisions of a state and their agencies and instrumentalities.

~~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.~~

~~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 and bridge maintenance, and leases of motor vehicles exempt from tax under section 297B.03, clause (10), 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:~~

(1) leases entered into by the United States or its agencies or instrumentalities; and

(2) leases entered into by a political subdivision of motor vehicles exempt from tax under chapter 297B.

~~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. 3. Minnesota Statutes 1998, 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.~~"

Page 40, line 31, after the period, insert "Sections 2 and 3 are effective for sales occurring after June 30, 1999."

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 31, as follows:

Those who voted in the affirmative were:

Belanger	Hanson	Laidig	Olson	Stevens
Berg	Johnson, D.E.	Larson	Pariseau	Ten Eyck
Day	Kierlin	Lesewski	Robertson	Terwilliger
Dille	Kiscaden	Limmer	Robling	Wiger
Fischbach	Kleis	Neuville	Runbeck	Ziegler
Frederickson	Knutson	Oliver	Scheevel	

Those who voted in the negative were:

Anderson	Hottinger	Langseth	Piper	Stumpf
Berglin	Janezich	Lessard	Pogemiller	Vickerman
Betzold	Johnson, D.H.	Lourey	Price	Wiener
Cohen	Johnson, D.J.	Metzen	Ranum	
Flynn	Johnson, J.B.	Moe, R.D.	Samuelson	
Foley	Kelley, S.P.	Novak	Scheid	
Higgins	Kelly, R.C.	Pappas	Spear	

The motion did not prevail. So the amendment was not adopted.

Senator Novak moved to amend H.F. No. 2420, as amended by the Senate April 30, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 1276.)

Page 17, after line 31, insert:

"Sec. 8. Minnesota Statutes 1998, section 290.0674, subdivision 1, is amended to read:

Subdivision 1. [CREDIT ALLOWED.] An individual is allowed a credit against the tax imposed by this chapter in an amount equal to the amount paid for education-related expenses for a dependent in kindergarten through grade 12. For purposes of this section, "education-related expenses" means:

(1) fees or tuition for instruction by an instructor under section 120A.22, subdivision 10, clause (1), (2), (3), (4), or (5), or by a member of the Minnesota music teachers association, for instruction outside the regular school day or school year, including tutoring, driver's education offered as part of school curriculum, regardless of whether it is taken from a public or private entity or summer camps, in grade or age appropriate curricula that supplement curricula and instruction available during the regular school year, that assists a dependent to improve knowledge of core curriculum areas or to expand knowledge and skills under the graduation rule under section 120B.02 and that do not include the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship;

(2) expenses for textbooks, including 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. "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs;

(3) a maximum expense of \$200 per family for personal computer hardware, excluding single purpose processors, and educational software that assists a dependent to improve knowledge of core curriculum areas or to expand knowledge and skills under the graduation rule under section 120B.02 purchased for use in the taxpayer's home and not used in a trade or business regardless of whether the computer is required by the dependent's school; and

(4) the amount paid to others for transportation of a dependent 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."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Scheevel moved to amend H.F. No. 2420, as amended by the Senate April 30, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 1276.)

Page 100, lines 3, 5, 8, 9, and 21, delete the new language and reinstate the stricken language

Page 100, line 6, reinstate the stricken language

Page 100, line 7, delete the new language

Page 106, delete section 19 and insert:

"Sec. 19. Minnesota Statutes 1998, section 273.1382, is amended by adding a subdivision to read:

Subd. 1b. [EDUCATION AGRICULTURAL CREDIT.] Property classified as class 2a agricultural homestead or class 2b agricultural nonhomestead is eligible for education agricultural credit. The credit is equal to 50 percent of the property's net tax capacity times the sum of the levies by the school district in which the property is located under sections 123B.55; 126C.13,

subdivision 2 or 3; and 126C.17. The net tax capacity of class 2a property attributable to the house, garage, and surrounding one acre of land shall not be eligible for the credit under this subdivision."

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 37, as follows:

Those who voted in the affirmative were:

Belanger	Kierlin	Lesewski	Pariseau	Terwilliger
Day	Kiscaden	Limmer	Robertson	Ziegler
Dille	Kleis	Marty	Robling	
Fischbach	Knutson	Neuville	Runbeck	
Frederickson	Laidig	Oliver	Scheevel	
Johnson, D.E.	Larson	Olson	Stevens	

Those who voted in the negative were:

Anderson	Hottinger	Krentz	Piper	Stumpf
Berglin	Janezich	Langseth	Pogemiller	Ten Eyck
Betzold	Johnson, D.H.	Lessard	Price	Vickerman
Cohen	Johnson, D.J.	Lourey	Ranum	Wiener
Flynn	Johnson, J.B.	Metzen	Sams	Wiger
Foley	Junge	Moe, R.D.	Samuelson	
Hanson	Kelley, S.P.	Murphy	Scheid	
Higgins	Kelley, R.C.	Pappas	Spear	

The motion did not prevail. So the amendment was not adopted.

Senator Neuville moved to amend H.F. No. 2420, as amended by the Senate April 30, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 1276.)

Page 13, line 26, delete "and"

Page 13, line 31, after "person" insert "; and

(15) beginning with the 1999 taxable year, an amount equal to \$1,250 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 2000 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"

Senator then Neuville moved to amend the Neuville amendment to H.F. No. 2420 as follows:

Page 1, line 8, delete "\$1,250" and insert "\$700"

The motion prevailed. So the amendment to the amendment was adopted.

The question recurred on the Neuville amendment, as amended.

The roll was called, and there were yeas 31 and nays 32, as follows:

Those who voted in the affirmative were:

Anderson	Fischbach	Kiscaden	Larson	Olson
Belanger	Frederickson	Kleis	Lesewski	Pariseau
Berg	Johnson, D.E.	Knutson	Limmer	Robertson
Day	Kelley, R.C.	Krentz	Neuville	Robling
Dille	Kierlin	Laidig	Oliver	Runbeck

Scheevel Stevens	Ten Eyck	Terwilliger	Wiger	Ziegler
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Those who voted in the negative were:

Berglin	Janezich	Lessard	Piper	Spear
Betzold	Johnson, D.H.	Lourey	Pogemiller	Stumpf
Cohen	Johnson, D.J.	Marty	Price	Vickerman
Flynn	Johnson, J.B.	Metzen	Ranum	Wiener
Foley	Junge	Moe, R.D.	Sams	
Higgins	Kelley, S.P.	Novak	Samuelson	
Hottinger	Langseth	Pappas	Scheid	

The motion did not prevail. So the Neuville amendment, as amended, was not adopted.

Senator Belanger moved to amend H.F. No. 2420, as amended by the Senate April 30, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 1276.)

Page 108, after line 10, insert:

"Sec. 21. [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 126C.01, subdivision 3. 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."

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 24 and nays 38, as follows:

Those who voted in the affirmative were:

Belanger	Johnson, D.E.	Larson	Pariseau	Stevens
Day	Kierlin	Limmer	Robertson	Terwilliger
Dille	Kiscaden	Neuville	Robling	Wiener
Fischbach	Knutson	Oliver	Runbeck	Wiger
Frederickson	Laidig	Olson	Scheevel	

Those who voted in the negative were:

Anderson	Higgins	Kelly, R.C.	Moe, R.D.	Sams
Berg	Hottinger	Kleis	Murphy	Samuelson
Berglin	Janezich	Krentz	Novak	Scheid
Betzold	Johnson, D.H.	Langseth	Pappas	Spear
Cohen	Johnson, D.J.	Lessard	Piper	Stumpf
Flynn	Johnson, J.B.	Lourey	Pogemiller	Ten Eyck
Foley	Junge	Marty	Price	
Hanson	Kelley, S.P.	Metzen	Ranum	

The motion did not prevail. So the amendment was not adopted.

Senator Belanger then moved to amend H.F. No. 2420, as amended by the Senate April 30, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 1276.)

Page 17, after line 31, insert:

"Sec. 8. Minnesota Statutes 1998, 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 inflation protection that meets or exceeds~~ has been offered in compliance with 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."

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.

Senator Knutson moved to amend H.F. No. 2420, as amended by the Senate April 30, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 1276.)

Pages 246 and 247, delete sections 1 and 2

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

Pursuant to Rule 22, Senator Novak moved that he be excused from voting on the Knutson amendment to H.F. No. 2420. The motion prevailed.

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:

Day	Hanson	Knutson	Metzen	Terwilliger
Dille	Johnson, D.E.	Krentz	Neuville	Wiener
Fischbach	Kierlin	Laidig	Pariseau	Ziegler
Foley	Kiscaden	Larson	Robling	
Frederickson	Kleis	Lesewski	Scheevel	

Those who voted in the negative were:

Anderson	Janezich	Lessard	Piper	Scheid
Belanger	Johnson, D.H.	Limmer	Pogemiller	Spear
Berglin	Johnson, D.J.	Lourey	Price	Stumpf
Betzold	Johnson, J.B.	Marty	Ranum	Ten Eyck
Cohen	Junge	Moe, R.D.	Robertson	Vickerman
Flynn	Kelley, S.P.	Oliver	Runbeck	Wiger
Higgins	Kelly, R.C.	Olson	Sams	
Hottinger	Langseth	Pappas	Samuelson	

The motion did not prevail. So the amendment was not adopted.



Senator Marty moved to amend H.F. No. 2420, as amended by the Senate April 30, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 1276.)

Page 12, delete lines 18 to 34 and insert:

"(8) to the extent not deducted in determining federal taxable income, the amount paid by individuals 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 as defined in section 162(1) of the Internal Revenue Code. If the taxpayer individual 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);"

Pages 14 to 17, delete sections 5 to 7 and insert:

"Sec. 5. Minnesota Statutes 1998, section 290.0671, subdivision 1, is amended to read:

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

(b) For individuals with no qualifying children, the credit equals ~~1.1475~~ 1.9 percent of the first ~~\$4,460~~ \$4,540 of earned income. The credit is reduced by ~~1.1475~~ 1.9 percent of earned income or modified adjusted gross income, whichever is greater, in excess of ~~\$5,570~~ \$5,660, but in no case is the credit less than zero.

(c) For individuals with one qualifying child, the credit equals ~~6.8~~ 8.5 percent of the first ~~\$6,680~~ \$6,790 of earned income and 8.5 percent of earned income over ~~\$11,650~~ \$11,850 but less than ~~\$12,990~~ \$13,210. The credit is reduced by ~~4.77~~ 5.72 percent of earned income or modified adjusted gross income, whichever is greater, in excess of ~~\$14,560~~ \$14,810, but in no case is the credit less than zero.

(d) For individuals with two or more qualifying children, the credit equals ~~eight~~ ten percent of the first ~~\$9,390~~ \$9,550 of earned income and 20 percent of earned income over ~~\$14,350~~ \$14,590 but less than ~~\$16,230~~ \$16,500. The credit is reduced by ~~8.8~~ 10.3 percent of earned income or modified adjusted gross income, whichever is greater, in excess of ~~\$17,280~~ \$17,570, but in no case is the credit less than zero.

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

(f) For a person who was a resident for the entire tax year and has earned income not subject to tax under this chapter, 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. 6. [290.0675] [CREDIT FOR CHILDREN.]

Subdivision 1. [CREDIT ALLOWED.] A taxpayer and spouse, if any, may take a credit against the tax imposed by this chapter equal to \$100 for each qualifying child as defined in section 24(c) of the Internal Revenue Code. The total credit allowed a taxpayer shall be reduced by \$20 for each

\$1,000 of income, or fraction thereof, over a threshold amount, but in no case shall the credit be less than zero. The threshold amounts are \$110,000 for married taxpayers filing joint returns, \$55,000 for married taxpayers filing separate returns, and \$75,000 for all other taxpayers. For purposes of this section, "income" means modified adjusted gross income as defined in section 24(b) of the Internal Revenue Code.

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

Subd. 2. [CREDIT REFUNDABLE.] If the amount of credit that the claimant is eligible to receive under this section exceeds the claimant's tax liability under this chapter, the commissioner shall refund the excess to the claimant.

Subd. 3. [INFLATION ADJUSTMENT.] For taxable years beginning after December 31, 1999, the credit amount and the income thresholds at which the credit begins to be reduced in subdivision 1 must be adjusted for inflation. The commissioner shall adjust the credit and threshold amounts by the percentage determined under section 290.06, subdivision 2d, for the taxable year.

Subd. 4. [APPROPRIATION.] An amount sufficient to pay the refunds required by this section is annually appropriated to the commissioner from the general fund."

Page 36, after line 5, insert:

"Sec. 2. Minnesota Statutes 1998, section 297A.25, subdivision 3, is amended to read:

Subd. 3. [MEDICINES; MEDICAL DEVICES.] The gross receipts from the sale of and storage, use, or consumption of ~~prescribed~~ drugs, ~~prescribed~~ medicine and insulin, intended for use, internal or external, in the cure, mitigation, treatment or prevention of illness or disease in human beings and products consumed by humans for the preservation of human health are exempt, together with prescription glasses, fever thermometers, therapeutic, and prosthetic devices. "Prescribed Drugs" or "prescribed medicine" includes over-the-counter drugs or medicine ~~prescribed by a licensed physician~~. "Therapeutic devices" includes reusable finger pricking devices for the extraction of blood, blood glucose monitoring machines, and other diagnostic agents used in diagnosing, monitoring, or treating diabetes. ~~Nonprescription analgesics consisting principally (determined by the weight of all ingredients) of acetaminophen, acetylsalicylic acid, ibuprofen, ketoprofen, naproxen, and other nonprescription analgesics that are approved by the United States Food and Drug Administration for internal use by human beings, or a combination thereof, are exempt.~~

Medical supplies purchased by a licensed health care facility or licensed health care professional to provide medical treatment to residents or patients are exempt. The exemption does not apply to medical equipment or components of medical equipment, laboratory supplies, radiological supplies, and other items used in providing medical services. For purposes of this subdivision, "medical supplies" means adhesive and nonadhesive bandages, gauze pads and strips, cotton applicators, antiseptics, nonprescription drugs, eye solution, and other similar supplies used directly on the resident or patient in providing medical services.

Sec. 3. Minnesota Statutes 1998, 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 following governmental entities are exempt:

(1) the United States and its agencies and instrumentalities;

(2) the University of Minnesota, state universities, community colleges, technical colleges, state academies, and the Lola and Rudy Perpich Minnesota center for arts education, ~~an instrumentality of a political subdivision that is accredited as an optional/special function school by the North Central Association of Colleges and Schools, school districts;~~

(3) 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; and

(4) political subdivisions of a state and their agencies and instrumentalities.

~~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.~~

~~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 and bridge maintenance, and leases of motor vehicles exempt from tax under section 297B.03, clause (10), 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:~~

(1) leases entered into by the United States or its agencies or instrumentalities; and

(2) leases entered into by a political subdivision of motor vehicles exempt from tax under chapter 297B.

~~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. 4. Minnesota Statutes 1998, section 297A.25, subdivision 26, is amended to read:

Subd. 26. ~~[FEMININE PERSONAL HYGIENE PRODUCTS.]~~ The gross receipts from the sale of and storage, use, or consumption of items used for personal hygiene of human beings including, but not limited to, soap, laundry detergent, hand and body lotions or creams, toilet paper, facial tissues, sanitary napkins, tampons, or and similar items used for feminine hygiene, but not including cosmetics, are exempt.

Sec. 5. Minnesota Statutes 1998, 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."

Page 66, line 9, delete "TAXES"

Pages 66 to 72, delete sections 1 to 7 and insert:

"Section 1. Minnesota Statutes 1998, 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, and 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~~ paragraph (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), ~~or (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) (e) 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) (f) 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. In determining the structural balance of the health care access fund for fiscal years 2000 and 2001, the commissioner shall disregard the transfer amount from the health care access fund to the general fund for expenditures associated with the services provided to pregnant women and children under the age of two enrolled in the MinnesotaCare program.

(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. Minnesota Statutes 1998, section 62J.041, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] (a) For purposes of this section, the following definitions apply.

(b) "Health plan company" has the definition provided in section 62Q.01.

(c) "Total expenditures" means incurred claims or expenditures on health care services, administrative expenses, charitable contributions, and all other payments made by health plan companies out of premium revenues.

(d) "Net expenditures" means total expenditures minus exempted taxes and assessments and payments or allocations made to establish or maintain reserves.

(e) "Exempted taxes and assessments" means direct payments for taxes to government agencies, contributions to the Minnesota comprehensive health association, the medical assistance provider's surcharge under section 256.9657, the MinnesotaCare provider tax under Minnesota Statutes 1998, section 295.52, assessments by the health coverage reinsurance association, assessments by the Minnesota life and health insurance guaranty association, assessments by the Minnesota risk adjustment association, and any new assessments imposed by federal or state law.

(f) "Consumer cost-sharing or subscriber liability" means enrollee coinsurance, copayment, deductible payments, and amounts in excess of benefit plan maximums.

Sec. 3. Minnesota Statutes 1998, section 62Q.095, subdivision 6, is amended to read:

Subd. 6. [EXEMPTION.] A health plan company, to the extent that it operates as a staff model health plan company ~~as defined in section 295.50, subdivision 4b,~~ by employing allied independent health care providers to deliver health care services to enrollees, is exempt from this section. For purposes of this subdivision, "staff model health plan company" means a health plan company as defined in section 62Q.01, subdivision 4, which employs one or more types of health care providers to deliver health care services to the health plan company's enrollees.

Sec. 4. Minnesota Statutes 1998, section 62R.24, is amended to read:

62R.24 [TAXES AND ASSESSMENTS.]

Effective January 1, 1998, as a condition to entering a contract described in section 62R.17, a self-insured employer plan or the qualified employer must voluntarily pay ~~the one percent premium tax imposed in section 60A.15, subdivision 1, paragraph (d),~~ and assessments by the Minnesota Comprehensive Health Association.

Sec. 5. Minnesota Statutes 1998, section 214.16, subdivision 2, is amended to read:

Subd. 2. [BOARD COOPERATION REQUIRED.] The board shall assist the commissioner of health in data collection activities required under Laws 1992, chapter 549, article 7, ~~and shall assist the commissioner of revenue in activities related to collection of the health care provider tax required under Laws 1992, chapter 549, article 9.~~ Upon the request of the commissioner or the ~~commissioner of revenue,~~ the board shall make available names and addresses of current licensees and provide other information or assistance as needed.

Sec. 6. Minnesota Statutes 1998, section 214.16, subdivision 3, is amended to read:

Subd. 3. [GROUNDS FOR DISCIPLINARY ACTION.] The board shall take disciplinary action, which may include license revocation, against a regulated person for:

(1) intentional failure to provide the commissioner of health with the data required under chapter 62J;

~~(2) intentional failure to provide the commissioner of revenue with data on gross revenue and other information required for the commissioner to implement sections 295.50 to 295.58;~~

~~(3) intentional failure to pay the health care provider tax required under section 295.52; and~~

~~(4)~~ (2) entering into a contract or arrangement that is prohibited under sections 62J.70 to 62J.73.

Sec. 7. Minnesota Statutes 1998, section 256L.02, subdivision 3, is amended to read:

Subd. 3. [FINANCIAL MANAGEMENT.] (a) ~~The commissioner shall manage spending for the MinnesotaCare program in a manner that maintains a minimum reserve in accordance with section 16A.76. As part of each state revenue and expenditure forecast, the commissioner must make an assessment of the expected expenditures for the covered services for the remainder of the current biennium and for the following biennium. The estimated expenditure, including the reserve requirements described in section 16A.76, shall be compared to an estimate of the revenues that will be available in the health care access fund the appropriations for the MinnesotaCare program. In making the comparison for the following biennium, the commissioner shall assume that the appropriations for the current biennium will be increased by the projected increase in the consumer price index. Based on this comparison, and after consulting with the chairs of the house ways and means committee and the senate finance committee, and the legislative commission on health care access, the commissioner shall, as necessary, make the adjustments specified in paragraph (b) to ensure that expenditures remain within the limits of available revenues for the remainder of the current biennium and for the following biennium actual and projected appropriations for the MinnesotaCare program. The commissioner shall not hire additional staff using appropriations from the health care access fund for MinnesotaCare until the commissioner of finance makes a determination that the adjustments implemented under paragraph (b) are sufficient to allow MinnesotaCare expenditures to remain within the limits of available revenues actual and projected appropriations for the remainder of the current biennium and for the following biennium.~~

(b) The adjustments the commissioner shall use must be implemented in this order: first, stop enrollment of single adults and households without children; second, upon 45 days' notice, stop coverage of single adults and households without children already enrolled in the MinnesotaCare program; third, upon 90 days' notice, decrease the premium subsidy amounts by ten percent for families with gross annual income above 200 percent of the federal poverty guidelines; fourth, upon 90 days' notice, decrease the premium subsidy amounts by ten percent for families with gross annual income at or below 200 percent; and fifth, require applicants to be uninsured for at least six months prior to eligibility in the MinnesotaCare program. If these measures are insufficient to limit the expenditures to the estimated amount of revenue, the commissioner shall further limit enrollment or decrease premium subsidies.

Sec. 8. Minnesota Statutes 1998, section 256L.04, subdivision 7, is amended to read:

Subd. 7. [SINGLE ADULTS AND HOUSEHOLDS WITH NO CHILDREN.] The definition of eligible persons includes all individuals and households with no children who have gross family incomes that are equal to or less than ~~175~~ 275 percent of the federal poverty guidelines.

Sec. 9. Minnesota Statutes 1998, section 256L.07, subdivision 1, is amended to read:

Subdivision 1. [GENERAL REQUIREMENTS.] (a) Children enrolled in the original children's health plan as of September 30, 1992, children who enrolled in the MinnesotaCare program after September 30, 1992, pursuant to Laws 1992, chapter 549, article 4, section 17, and children who have family gross incomes that are equal to or less than 150 percent of the federal poverty guidelines are eligible for subsidized premium payments without meeting the requirements of subdivision 2, as long as they maintain continuous coverage in the MinnesotaCare program or medical assistance. Children who apply for MinnesotaCare on or after the implementation date of the employer-subsidized health coverage program as described in Laws 1998, chapter 407, article 5, section 45, who have family gross incomes that are equal to or less than 150 percent of the federal poverty guidelines, must meet the requirements of subdivision 2 to be eligible for MinnesotaCare.

(b) Families and individuals enrolled in MinnesotaCare under section 256L.04, subdivision 1 or 7, whose income increases above 275 percent of the federal poverty guidelines, are no longer eligible for the program and shall be disenrolled by the commissioner. ~~Individuals enrolled in MinnesotaCare under section 256L.04, subdivision 7, whose income increases above 175 percent of the federal poverty guidelines are no longer eligible for the program and shall be disenrolled by the commissioner.~~ For persons disenrolled under this subdivision, MinnesotaCare coverage

terminates the last day of the calendar month following the month in which the commissioner determines that the income of a family or individual, determined over a four-month period as required by section 256L.15, subdivision 2, exceeds program income limits.

(c) Notwithstanding paragraph (b), individuals and families may remain enrolled in MinnesotaCare if ten percent of their annual income is less than the annual premium for a policy with a \$500 deductible available through the Minnesota comprehensive health association. Individuals and families who are no longer eligible for MinnesotaCare under this subdivision shall be given an 18-month notice period from the date that ineligibility is determined before disenrollment.

Sec. 10. Minnesota Statutes 1998, section 270B.01, subdivision 8, is amended to read:

Subd. 8. [MINNESOTA TAX LAWS.] For purposes of this chapter only, unless expressly stated otherwise, "Minnesota tax laws" means the taxes, refunds, and fees administered by or paid to the commissioner under chapters 115B (except taxes imposed under sections 115B.21 to 115B.24), 289A (except taxes imposed under sections 298.01, 298.015, and 298.24), 290, 290A, 291, 297A, and 297H and ~~sections 295.50 to 295.59~~, or any similar Indian tribal tax administered by the commissioner pursuant to any tax agreement between the state and the Indian tribal government, and includes any laws for the assessment, collection, and enforcement of those taxes, refunds, and fees.

Sec. 11. Minnesota Statutes 1998, section 270B.14, subdivision 1, is amended to read:

Subdivision 1. [DISCLOSURE TO COMMISSIONER OF HUMAN SERVICES.] (a) On the request of the commissioner of human services, the commissioner shall disclose return information regarding taxes imposed by chapter 290, and claims for refunds under chapter 290A, to the extent provided in paragraph (b) and for the purposes set forth in paragraph (c).

(b) Data that may be disclosed are limited to data relating to the identity, whereabouts, employment, income, and property of a person owing or alleged to be owing an obligation of child support.

(c) The commissioner of human services may request data only for the purposes of carrying out the child support enforcement program and to assist in the location of parents who have, or appear to have, deserted their children. Data received may be used only as set forth in section 256.978.

(d) The commissioner shall provide the records and information necessary to administer the supplemental housing allowance to the commissioner of human services.

(e) At the request of the commissioner of human services, the commissioner of revenue shall electronically match the social security numbers and names of participants in the telephone assistance plan operated under sections 237.69 to 237.711, with those of property tax refund filers, and determine whether each participant's household income is within the eligibility standards for the telephone assistance plan.

(f) The commissioner may provide records and information collected under Minnesota Statutes 1998, sections 295.50 to 295.59, to the commissioner of human services for purposes of the Medicaid Voluntary Contribution and Provider-Specific Tax Amendments of 1991, Public Law Number 102-234. Upon the written agreement by the United States Department of Health and Human Services to maintain the confidentiality of the data, the commissioner may provide records and information collected under Minnesota Statutes 1998, sections 295.50 to 295.59, to the Health Care Financing Administration section of the United States Department of Health and Human Services for purposes of meeting federal reporting requirements.

(g) The commissioner may provide records and information to the commissioner of human services as necessary to administer the early refund of refundable tax credits.

(h) The commissioner may disclose information to the commissioner of human services necessary to verify income for eligibility and premium payment under the MinnesotaCare program, under section 256L.05, subdivision 2.



## Sec. 12. [REPEAL OF HEALTH CARE ACCESS FUND.]

Subdivision 1. [TRANSFER TO GENERAL FUND.] Upon the repeal of the health care access fund under section 13, the commissioner of finance shall transfer any funds in the health care access fund to the general fund and the health care access fund is combined with and becomes part of the general fund.

Subd. 2. [REVISOR'S INSTRUCTION.] In the next edition of Minnesota Statutes, the revisor of statutes shall substitute "general fund" for "health care access fund" each place health care access fund appears.

## Sec. 13. [REPEALER.]

Minnesota Statutes 1998, sections 13.99, subdivision 86b; 16A.724; 16A.76; 62T.10; 144.1484, subdivision 2; 256L.02, subdivision 4; 295.50; 295.51; 295.52; 295.53; 295.54; 295.55; 295.56; 295.57; 295.58; 295.581; 295.582; and 295.59, are repealed.

## Sec. 14. [EFFECTIVE DATE.]

Sections 1 to 13 are effective July 1, 1999."

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 6 and nays 53, as follows:

Those who voted in the affirmative were:

Anderson	Knutson	Marty	Oliver	Pappas
Fischbach				

Those who voted in the negative were:

Belanger	Hottinger	Krentz	Olson	Spear
Berg	Janezich	Langseth	Pariseau	Stevens
Berglin	Johnson, D.E.	Larson	Piper	Stumpf
Betzold	Johnson, D.H.	Lesewski	Pogemiller	Ten Eyck
Cohen	Johnson, D.J.	Lessard	Price	Terwilliger
Day	Johnson, J.B.	Limmer	Ranum	Vickerman
Dille	Junge	Lourey	Robertson	Wiener
Foley	Kelley, S.P.	Metzen	Robling	Wiger
Frederickson	Kelly, R.C.	Moe, R.D.	Sams	Ziegler
Hanson	Kierlin	Neuville	Samuelson	
Higgins	Kiscaden	Novak	Scheid	

The motion did not prevail. So the amendment was not adopted.

Senator Oliver moved to amend H.F. No. 2420, as amended by the Senate April 30, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 1276.)

Page 108, after line 19, insert:

"Sec. 22. Minnesota Statutes 1998, section 290A.04, is amended by adding a subdivision to read:

Subd. 2k. [ADDITIONAL REFUND.] A claimant who is a homeowner is allowed a refund equal to the excess of the claimant's net property taxes over six percent of the claimant's household income. In order to qualify for a refund under this subdivision, the claimant or the spouse of the claimant must be at least 65 years of age on December 31 of the year prior to the year in which the taxes are payable and must have resided in the homestead for at least ten consecutive years ending on December 31 of the year prior to the year in which the taxes are

payable. No payment is allowed if the claimant's household income exceeds one-half the maximum income for which a claimant may receive a refund under subdivision 2. The commissioner of revenue may require claimants to certify eligibility for the refund in a form the commissioner prescribes. For purposes of this subdivision, "net property taxes" means property taxes payable after reduction for all state paid aids or credits and after deduction of the refund for which the claimant qualifies under subdivisions 2 and 2h.

Sec. 23. Minnesota Statutes 1998, section 290A.23, subdivision 3, is amended to read:

Subd. 3. [ANNUAL APPROPRIATION.] ~~For payments made after July 1, 1996,~~ There is annually appropriated from the general fund to the commissioner of revenue the amount necessary to make the payments required under section 290A.04, subdivisions 2 and, 2h, and 2k."

Page 131, after line 13, insert:

"(e) Sections 22 and 23 are effective for property tax refunds based on property taxes payable in 2000 and thereafter."

Page 131, line 14, delete "(e)" and insert "(f)"

Page 131, line 20, delete "(f)" and insert "(g)"

Page 131, line 25, delete "(g)" and insert "(h)"

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 28 and nays 35, as follows:

Those who voted in the affirmative were:

Anderson	Johnson, D.E.	Larson	Olson	Stevens
Belanger	Kierlin	Lesewski	Pariseau	Terwilliger
Day	Kiscaden	Limmer	Robertson	Wiger
Dille	Kleis	Marty	Robling	Ziegler
Fischbach	Knutson	Neuville	Runbeck	
Frederickson	Krentz	Oliver	Scheevel	

Those who voted in the negative were:

Berg	Higgins	Kelley, S.P.	Novak	Samuelson
Berglin	Hottinger	Kelly, R.C.	Pappas	Scheid
Betzold	Janezich	Langseth	Piper	Spear
Cohen	Johnson, D.H.	Lessard	Pogemiller	Stumpf
Flynn	Johnson, D.J.	Lourey	Price	Ten Eyck
Foley	Johnson, J.B.	Metzen	Ranum	Vickerman
Hanson	Junge	Moe, R.D.	Sams	Wiener

The motion did not prevail. So the amendment was not adopted.

Senator Limmer moved to amend H.F. No. 2420, as amended by the Senate April 30, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 1276.)

Page 255, after line 12, insert:

"Sec. 17. [ACTIVE DUTY MILITARY MEMBERS; EXTENSIONS OF TIME RELATING TO TAXES.]

Subdivision 1. [INCOME TAX EXTENSION.] The limitations of time provided by Minnesota Statutes, chapters 289 and 290, relating to income taxes, and Minnesota Statutes, chapter 271, relating to the tax court, for filing income tax returns, paying income taxes, claiming income tax

refunds, commencing actions relating to income taxes, appealing to the tax court from orders relating to income taxes, and appealing to the supreme court from decisions of the tax court relating to income taxes are extended until May 30, 1999, for members of the National Guard or a reserve unit of the armed services of the United States who are called to active duty stationed outside of Minnesota after March 1, 1999, and before January 1, 2000.

Subd. 2. [INTEREST AND PENALTIES.] Interest on income tax must not be assessed or collected from an individual with respect to whom, and for the period during which, the limitations of time are extended as provided in subdivision 1. A penalty shall not be assessed or collected from an individual for failure during that period to perform an act required by the laws described in subdivision 1.

Subd. 3. [ABATEMENT.] The commissioner of revenue shall abate penalties and interest on withholding taxes and declarations under Minnesota Statutes, section 290.92, and on sales taxes deposits and returns under Minnesota Statutes, chapters 289A and 297B, for failure to pay amounts or file returns due between April 1, 1999, and May 30, 1999, if:

(1) the taxpayer is an individual described in subdivision 1 and the taxpayer's ability to file returns or declarations or pay the taxes is affected by the requirement to leave the state for active duty in the armed forces; and

(2) the taxpayer files all required returns and declarations and pays all tax amounts due by May 30, 1999.

Subd. 4. [APPLICABILITY.] Nothing in this section reduces the time within which an act is required or permitted under Minnesota Statutes, chapter 271, 289A, 290, 297A, or 297B."

Page 255, line 36, delete "Section 12 is" and insert "Sections 12 and 17 are"

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Oliver moved to amend H.F. No. 2420, as amended by the Senate April 30, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 1276.)

Page 17, after line 31, insert:

"Sec. 8. [290.0681] [LAND MANAGEMENT CREDIT.]

Subdivision 1. [CREDIT ALLOWED.] A taxpayer is allowed a credit against the tax imposed by this chapter for qualified land management activities. The credit allowed is an amount equal to the actual costs incurred by the taxpayer in the tax year the credit is claimed, unreimbursed by a private, federal, or state land management cost-share program.

Subd. 2. [DEFINITIONS.] (a) "Qualified land management activities" means activities that are:

(1) completed by the taxpayer in the management of eligible land within the state of Minnesota;

(2) undertaken as part of a conservation management plan approved by the department of natural resources or other approved plan preparers; and

(3) related to one or more of the following purposes:

(i) the preservation of native prairie; or

(ii) wildlife management, including, but not limited to, the maintenance and enhancement of habitat ecologically important to plant and animal species and natural communities.

(b) "Costs" that qualify under this section must be incurred in connection with the implementation of land management activities. Such costs include, but are not limited to expenses for:

- (1) prescribed burning;
- (2) prairie reconstruction;
- (3) prairie restoration;
- (4) wetlands restoration;
- (5) reforestation or revegetation of riparian corridors;
- (6) exotic species control; and
- (7) resting or deferring a hayfield or pasture that has been in use for at least one of the last two years before the date of application.

Reforestation and revegetation shall be limited to species which are native to the state of Minnesota.

(c) "Eligible land" is land that is:

- (1) native prairie as defined in section 84.96, subdivision 2;
- (2) adjacent to native prairie and is beneficial to resource protection or necessary for effective management of the adjacent native prairie;
- (3) five or more acres in size; and
- (4) privately owned.

Subd. 3. [LIMITATION; CARRYOVER.] (a) The credit for the taxable year must not exceed \$1,000.

(b) If the amount of the credit determined under this section exceeds the limitation under paragraph (a), the unused portion may be a land management credit to each of the five succeeding taxable years. The entire amount of the unused portion for the taxable year must be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit must not exceed \$50,000.

Subd. 4. [TRANSFER; PENALTY.] If, during the term of a conservation management plan, the taxpayer transfers the qualified land without also assuring the transfer of the taxpayer's obligations under the conservation management plan, then the taxpayer's tax under this chapter for the taxable year shall be increased by the amount of the credit received under this section during all prior years by such taxpayer, plus interest at the overpayment rate established under section 6621 of the Internal Revenue Code."

Page 72, after line 12, insert:

"Section 1. Minnesota Statutes 1998, section 84.96, subdivision 2, is amended to read:

Subd. 2. [DEFINITION.] For the purposes of this section, "native prairie" means land that has never been plowed, ~~with less than ten percent tree cover and~~ with predominantly native prairie vegetation."

Page 77, line 9, strike "shall not" and insert "may"

Page 77, line 10, after "clause" insert "if the landowner has implemented conservation practices that maintain biological diversity"

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.

Senator Knutson moved to amend H.F. No. 2420, as amended by the Senate April 30, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 1276.)

Page 14, lines 19 and 20, delete "\$29,930" and insert "\$32,215 for taxable years beginning after December 31, 1998, and before January 1, 2001, and \$34,500 for taxable years beginning after December 31, 1999"

Page 14, lines 21 and 22, delete "\$100,200" and insert "\$106,780 for taxable years beginning after December 31, 1998, and before January 1, 2001, and \$113,360 for taxable years beginning after December 31, 1999"

Page 19, after line 34, insert:

"Sec. 9. Minnesota Statutes 1998, 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."

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 34, as follows:

Those who voted in the affirmative were:

Belanger	Hanson	Knutson	Olson	Stevens
Berg	Johnson, D.E.	Larson	Pariseau	Ten Eyck
Day	Johnson, D.H.	Lesewski	Robertson	Terwilliger
Dille	Kierlin	Limmer	Robling	Wiger
Fischbach	Kiscaden	Neuville	Runbeck	Ziegler
Frederickson	Kleis	Oliver	Scheevel	

Those who voted in the negative were:

Anderson	Berglin	Betzold	Cohen	Flynn
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Foley	Junge	Lourey	Piper	Scheid
Higgins	Kelley, S.P.	Marty	Pogemiller	Spear
Hottinger	Kelly, R.C.	Metzen	Price	Stumpf
Janezich	Krentz	Moe, R.D.	Ranum	Vickerman
Johnson, D.J.	Langseth	Novak	Sams	Wiener
Johnson, J.B.	Lessard	Pappas	Samuelson	

The motion did not prevail. So the amendment was not adopted.

Senator Anderson moved to amend H.F. No. 2420, as amended by the Senate April 30, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 1276.)

Page 254, line 34, after "second," insert "an allocation that is to be divided with 25 percent distributed"

Page 254, line 36, delete "under this clause" and insert "to the fund"

Page 255, line 1, after "\$20,000,000" insert ", and 75 percent distributed to the contamination and development grant program under Minnesota Statutes, sections 116J.551 to 116J.558, for projects that the commissioner of trade and economic development determines will generate a substantial number of jobs, until the amount allocated to the program equals \$60,000,000"

The motion did not prevail. So the amendment was not adopted.

Senator Kiscaden moved to amend H.F. No. 2420, as amended by the Senate April 30, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 1276.)

Page 246, delete section 2

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.

Senator Pariseau moved to amend H.F. No. 2420, as amended by the Senate April 30, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 1276.)

Page 253, delete section 12

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 21 and nays 37, as follows:

Those who voted in the affirmative were:

Belanger	Kiscaden	Limmer	Robling	Ziegler
Berg	Kleis	Neuville	Runbeck	
Day	Knutson	Oliver	Scheevel	
Fischbach	Larson	Olson	Stevens	
Kierlin	Lesewski	Pariseau	Terwilliger	

Those who voted in the negative were:

Anderson	Cohen	Foley	Janezich	Johnson, D.J.
Berglin	Dille	Higgins	Johnson, D.E.	Johnson, J.B.
Betzold	Flynn	Hottinger	Johnson, D.H.	Junge

Kelley, S.P.	Lourey	Piper	Samuelson	Vickerman
Kelly, R.C.	Metzen	Pogemiller	Scheid	Wiener
Krentz	Moe, R.D.	Price	Spear	
Langseth	Novak	Ranum	Stumpf	
Lessard	Pappas	Sams	Ten Eyck	

The motion did not prevail. So the amendment was not adopted.

Senator Runbeck moved to amend H.F. No. 2420, as amended by the Senate April 30, 1999, as follows:

(The text of the amended House File is identical to S.F. No. 1276.)

Delete everything after the enacting clause and insert:

"ARTICLE 1  
SALES TAX REBATE

Section 1. [STATEMENT OF PURPOSE.]

(a) The state of Minnesota derives revenues from a variety of taxes, fees, and other sources, including the state sales tax.

(b) It is fair and reasonable to refund the existing state budget surplus in the form of a rebate of nonbusiness consumer sales taxes paid by individuals in calendar year 1997.

(c) Information concerning the amount of sales tax paid at various income levels is contained in the Minnesota tax incidence report, which is written by the commissioner of revenue and presented to the legislature according to Minnesota Statutes, section 270.0682.

(d) It is fair and reasonable to use information contained in the Minnesota tax incidence report to determine the proportionate share of the sales tax rebate due each eligible taxpayer since no effective or practical mechanism exists for determining the amount of actual sales tax paid by each eligible individual.

Sec. 2. [SALES TAX REBATE.]

(a) An individual who was eligible for a credit under Laws 1997, chapter 231, article 1, section 16, as amended by Laws 1997, First Special Session chapter 5, section 35, and Laws 1997, Third Special Session chapter 3, section 11, and Laws 1998, chapter 304, and Laws 1998, chapter 389, article 1, section 3, and who filed for that credit on or before April 15, 1999, or who filed a 1997 Minnesota income tax return and had a tax liability before refundable credits on that return of at least \$1 but did not file the claim for credit authorized under Laws 1997, chapter 231, article 1, section 16, as amended, and who was not claimed as a dependent on a 1997 federal income tax return filed by another person, shall receive a sales tax rebate.

(b) The sales tax rebate for taxpayers who filed the claim for credit authorized under Laws 1997, chapter 231, article 1, section 16, as amended, or the 1997 Minnesota income tax return as married filing joint or head of household must be computed according to the following schedule:

<u>Income</u>	<u>Sales Tax Rebate</u>
<u>less than \$2,500</u>	<u>\$ 380</u>
<u>at least \$2,500 but less than \$5,000</u>	<u>\$ 497</u>
<u>at least \$5,000 but less than \$10,000</u>	<u>\$ 532</u>
<u>at least \$10,000 but less than \$15,000</u>	<u>\$ 582</u>
<u>at least \$15,000 but less than \$20,000</u>	<u>\$ 641</u>
<u>at least \$20,000 but less than \$25,000</u>	<u>\$ 680</u>
<u>at least \$25,000 but less than \$30,000</u>	<u>\$ 732</u>
<u>at least \$30,000 but less than \$35,000</u>	<u>\$ 808</u>
<u>at least \$35,000 but less than \$40,000</u>	<u>\$ 869</u>
<u>at least \$40,000 but less than \$45,000</u>	<u>\$ 927</u>

at least \$45,000 but less than \$50,000	\$ 977
at least \$50,000 but less than \$60,000	\$1,028
at least \$60,000 but less than \$70,000	\$1,136
at least \$70,000 but less than \$80,000	\$1,232
at least \$80,000 but less than \$90,000	\$1,353
at least \$90,000 but less than \$100,000	\$1,503
at least \$100,000 but less than \$120,000	\$1,628
at least \$120,000 but less than \$140,000	\$1,783
at least \$140,000 but less than \$160,000	\$1,928
at least \$160,000 but less than \$180,000	\$2,064
at least \$180,000 but less than \$200,000	\$2,193
at least \$200,000 but less than \$400,000	\$2,804
at least \$400,000 but less than \$600,000	\$3,690
at least \$600,000 but less than \$800,000	\$4,427
\$800,000 and over	\$5,000

(c) The sales tax rebate for individuals who filed the claim for credit authorized under Laws 1997, chapter 231, article 1, section 16, as amended, or the 1997 Minnesota income tax return, as single or married filing separately must be computed according to the following schedule:

Income	Sales Tax Rebate
less than \$2,500	\$ 217
at least \$2,500 but less than \$5,000	\$ 264
at least \$5,000 but less than \$10,000	\$ 318
at least \$10,000 but less than \$15,000	\$ 432
at least \$15,000 but less than \$20,000	\$ 492
at least \$20,000 but less than \$25,000	\$ 526
at least \$25,000 but less than \$30,000	\$ 546
at least \$30,000 but less than \$40,000	\$ 604
at least \$40,000 but less than \$50,000	\$ 688
at least \$50,000 but less than \$70,000	\$ 823
at least \$70,000 but less than \$100,000	\$1,016
at least \$100,000 but less than \$140,000	\$1,224
at least \$140,000 but less than \$200,000	\$1,478
at least \$200,000 but less than \$400,000	\$2,004
\$400,000 and over	\$2,500

(d) Individuals who were not residents of Minnesota for any part of 1997 and who paid more than \$10 in Minnesota sales tax on nonbusiness consumer purchases in that year qualify for a rebate under this paragraph only. Qualifying nonresidents must file a claim for rebate on a form prescribed by the commissioner before the later of May 15, 1999, or 30 days after the date of enactment of this act. The claim must include receipts showing the Minnesota sales tax paid and the date of the sale. Taxes paid on purchases allowed in the computation of federal taxable income or reimbursed by an employer are not eligible for the rebate. The commissioner shall determine the qualifying taxes paid and rebate the lesser of:

(1) 68.08 percent of that amount; or

(2) the maximum amount for which the claimant would have been eligible as determined under paragraph (b) if the taxpayer filed the 1997 federal income tax return as a married taxpayer filing jointly or head of household, or as determined under paragraph (c) for other taxpayers.

(e) "Income," for purposes of this section other than paragraph (d), is taxable income as defined in section 63 of the Internal Revenue Code of 1986, as amended through December 31, 1996, plus the sum of any additions to federal taxable income for the taxpayer under Minnesota Statutes, section 290.01, subdivision 19a, and reported on the original return submitted to claim the credit under Laws 1997, chapter 231, article 1, section 16, as amended, or by subsequent adjustments to



that return made within the time limits specified in paragraph (h). For an individual who was a resident of Minnesota for less than the entire year, the sales tax rebate equals the sales tax rebate calculated under paragraph (b) or (c) multiplied by the percentage determined pursuant to Minnesota Statutes, section 290.06, subdivision 2c, paragraph (e), as calculated on the original return submitted to claim the credit under Laws 1997, chapter 231, article 1, section 16, as amended, or by subsequent adjustments to that return made within the time limits specified in paragraph (h). For purposes of paragraph (d), "income" is taxable income as defined in section 63 of the Internal Revenue Code of 1986, as amended through December 31, 1996, and reported on the taxpayer's original federal tax return for the first taxable year beginning after December 31, 1996.

(f) The commissioner of revenue must begin making sales tax rebates by June 1, 1999. Sales tax rebates not paid by July 1, 1999, shall bear interest at the rate specified in Minnesota Statutes, section 270.75.

(g) A sales tax rebate shall not be adjusted based on changes to the return on which the claim for credit authorized under Laws 1997, chapter 231, article 1, section 16, as amended, is based that are made by order of assessment after April 15, 1999, or made by the taxpayer that are filed with the commissioner of revenue after April 15, 1999.

(h) Individuals who filed a joint claim for credit under Laws 1997, chapter 231, article 1, section 16, as amended, shall receive a joint sales tax rebate. After the sales tax rebate has been issued, but before the check has been cashed, either joint claimant may request a separate check for one-half of the joint sales tax rebate.

(i) The commissioner may pay rebates required by this section by electronic funds transfer to individuals who requested their 1998 individual income tax refund be paid through electronic funds transfer. The commissioner may make the electronic funds transfer payments to the same financial institution and into the same account as the 1998 individual income tax refund.

(j) The sales tax rebate is a "Minnesota tax law" for purposes of Minnesota Statutes, section 270B.01, subdivision 8.

(k) The sales tax rebate is "an overpayment of any tax collected by the commissioner" for purposes of Minnesota Statutes, section 270.07, subdivision 5. For purposes of this paragraph, a joint sales tax rebate is payable to each spouse equally.

(l) If the commissioner of revenue cannot locate an individual entitled to a sales tax rebate by July 1, 2001, or if an individual to whom a sales tax rebate was issued has not cashed the check by July 1, 2001, the right to the sales tax rebate shall lapse and the check shall be deposited in the general fund.

(m) Individuals entitled to a sales tax rebate pursuant to paragraph (a), but who did not receive one, and individuals who receive a sales tax rebate that was not correctly computed, must file a claim with the commissioner before July 1, 2000, in a form prescribed by the commissioner. These claims shall be treated as if they are a claim for refund under Minnesota Statutes, section 289A.50, subdivisions 4 and 7.

(n) The sales tax rebate is a refund subject to revenue recapture under Minnesota Statutes, chapter 270A. The commissioner of revenue shall remit the entire refund to the claimant agency, which shall, upon the request of the spouse who does not owe the debt, refund one-half of the joint sales tax rebate to the spouse who does not owe the debt.

(o) The amount necessary to make the sales tax rebates and interest provided in this section is appropriated from the general fund to the commissioner of revenue in fiscal years 1999, 2000, and 2001. The first \$200,000,000 of this appropriation is from the tax reform and reduction account.

(p) If a sales tax rebate check is cashed by someone other than the payee or payees of the check, and the commissioner of revenue determines that the check has been forged or improperly endorsed, the commissioner may issue an order of assessment for the amount of the check against the person or persons cashing it. The assessment must be made within two years after the check is

cash, but if cashing the check constitutes theft under Minnesota Statutes, section 609.52, or forgery under Minnesota Statutes, section 609.631, the assessment can be made at any time. The assessment may be appealed administratively and judicially. The commissioner may take action to collect the assessment in the same manner as provided by Minnesota Statutes, chapter 289A, for any other order of the commissioner assessing tax.

(q) Notwithstanding Minnesota Statutes, sections 9.031, 16A.40, 16B.49, 16B.50, and any other law to the contrary, the commissioner of revenue may take whatever actions the commissioner deems necessary to pay the rebates required by this section, and may, in consultation with the commissioner of finance and the state treasurer, contract with a private vendor or vendors to process, print, and mail the rebate checks or warrants required under this section and receive and disburse state funds to pay those checks or warrants.

### Sec. 3. [PAYMENT TO STATE.]

(a) A taxpayer receiving a rebate under section 2 may endorse and return the rebate check to the state and designate that the returned rebate must be deposited in one or more of the following accounts for use only for the purposes designated in this section:

(1) an account for the basic sliding fee child care program for child care assistance to families administered by the commissioner of children, families, and learning under Minnesota Statutes, section 119B.03;

(2) an account to lower kindergarten through grade 6 classroom size and reduce instructor-to-student ratios to an average level of 1 to 17 to be administered by the commissioner of children, families, and learning;

(3) the affordable rental investment fund to be used by the housing finance agency for family rental housing assistance under Minnesota Statutes, section 462A.21, subdivision 8b;

(4) the contaminated site cleanup and development account to be used by the commissioner of trade and economic development for contamination cleanup development grants under Minnesota Statutes, sections 116J.551 to 116J.556;

(5) an account to increase funding of the State Board of the Arts for grants under chapter 129D;  
and

(6) the general fund for use as appropriated by law.

(b) Each rebate check shall have printed on the back of the check that it may be endorsed to the state of Minnesota and used for the designated option under paragraph (a). If more than one use of the rebate is designated, the rebate must be divided evenly between the designated options. If a check is endorsed and mailed to the state and no option is designated, the check must be deposited in the general fund.

(c) The rebate check shall be accompanied by a notice prepared by the commissioner of revenue that explains the taxpayer's option to endorse the check to the state, and explains the uses of the funds that the taxpayer may designate. In preparing the notice, the commissioner of revenue shall consult with the commissioners or agencies that administer the funds or accounts. The notice shall also explain that a taxpayer may cash the rebate check and mail a contribution of any amount to the state and that the contribution must be used for the option or options under paragraph (a) as designated by the taxpayer. The notice shall contain in bold print the address to which the endorsed check or a state contribution may be mailed.

(d) Funds endorsed and mailed to the state and contributions mailed to the state under this section shall be deposited by the commissioner of finance in the fund or account designated, and are appropriated to the agency or commissioner designated by the taxpayer or contributor for use as provided in this section. Funds appropriated under this paragraph are available until expended.

(e) Funds appropriated under this section are in addition to any funds appropriated for the purposes given in this section and may not be used for any other purposes including the reduction

of any other appropriations. Funds appropriated to a commissioner or agency under this section are not included in the department's or agency's budget base.

Sec. 4. [APPROPRIATIONS.]

\$1,000,000 is appropriated from the general fund to the commissioner of revenue to administer the sales tax rebate for fiscal year 1999. Any unencumbered balance remaining on June 30, 1999, does not cancel but is available for expenditure by the commissioner of revenue until June 30, 2001.

Sec. 5. [EFFECTIVE DATE.]

Sections 1 to 4 are effective the day following final enactment.

ARTICLE 2

INCOME AND FRANCHISE TAXES

Section 1. Minnesota Statutes 1998, 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, 1997 1998.

Sec. 2. Minnesota Statutes 1998, section 290.01, subdivision 7, is amended to read:

Subd. 7. [RESIDENT.] The term "resident" means (1) any individual domiciled in Minnesota, except that an individual is not a "resident" for the period of time that the individual is a "qualified individual" as defined in section 911(d)(1) of the Internal Revenue Code, if the qualified individual notifies the county within three months of moving out of the country that homestead status be revoked for the Minnesota residence of the qualified individual, and the property is not classified as a homestead while the individual remains a qualified individual; and (2) any individual domiciled outside the state who maintains a place of abode in the state and spends in the aggregate more than one-half of the tax year in Minnesota, unless the individual or the spouse of the individual is in the armed forces of the United States, or the individual is covered under the reciprocity provisions in section 290.081.

For purposes of this subdivision, presence within the state for any part of a calendar day constitutes a day spent in the state. Individuals shall keep adequate records to substantiate the days spent outside the state.

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

Neither the commissioner nor any court shall consider charitable contributions made by an individual within or without the state in determining if the individual is domiciled in Minnesota.

Sec. 3. Minnesota Statutes 1998, 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(g) of the Internal Revenue Code, federal taxable income means investment company taxable income as defined in section 852(b)(2) of the Internal Revenue Code, except that:

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

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

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

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

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

The Internal Revenue Code of 1986, as amended through December 31, 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, 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, and the provisions of section 4004 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Public Law Number 105-277, 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, 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, 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, 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, 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, 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, the provisions of section 6010 of the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law Number 105-206, and the provisions of section 4003 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Public Law Number 105-277, 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, the provisions of sections 6004, 6005, 6012, 6013, 6015, 6016, 7002, and 7003 of the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law Number 105-206, and the provisions of section 3001 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Public Law Number 105-277, 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.

The provisions of sections 5002, 6009, 6011, and 7001 of the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law Number 105-206, the provisions of section 9010 of the Transportation Equity Act for the 21st Century, Public Law Number 105-178, the provisions of sections 1004, 4002, and 5301 of the Omnibus Consolidation and Emergency Supplemental Appropriations Act, 1999, Public Law Number 105-277, and the provisions of section 303 of the Ricky Ray Hemophilia Relief Fund Act of 1998, Public Law Number 105-369, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1998, shall be in effect for taxable years beginning after December 31, 1998.

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. 4. Minnesota Statutes 1998, 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(g) of the Internal Revenue Code, making the payment; and

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

(2) the amount of income 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;~~

~~(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;~~

~~(8) (5) the amount of expense, interest, or taxes disallowed pursuant to section 290.10; and~~

~~(9) (6) the amount of a partner's pro rata share of net income which does not flow through to the partner because the partnership elected to pay the tax on the income under section 6242(a)(2) of the Internal Revenue Code.~~

Sec. 5. Minnesota Statutes 1998, 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 qualifying child in grades kindergarten to 6 and \$2,500 for each dependent qualifying child in grades 7 to 12, for tuition, textbooks, and transportation of each dependent qualifying child in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 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. For purposes of the subtraction provided by this clause, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code;

(4) 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 124D.42 for volunteer service under United States Code, title 42, section 5011(d), as amended;

~~(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 an individual's, trust's, or estate's net federal income tax liability for the tax year that is attributable to items of income, expense, gain, loss, or credits federally flowing to the taxpayer in the tax year from a corporation, having a valid election in effect for federal tax purposes under section 1362 of the Internal Revenue Code but not treated as an "S" corporation for state tax purposes under section 290.9725.~~

(11) to the extent not deducted in determining federal taxable income by an individual who does not itemize deductions for federal income tax purposes for the taxable year, an amount equal



to 50 percent of the excess of charitable contributions allowable as a deduction for the taxable year under section 170(a) of the Internal Revenue Code over \$500; and

(12) to the extent included in federal taxable income, holocaust victims' settlement payments for any injury incurred as a result of the holocaust, if received by an individual who was persecuted for racial or religious reasons by Nazi Germany or any other Axis regime or an heir of such a person.

Sec. 6. Minnesota Statutes 1998, 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, 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. 7. Minnesota Statutes 1998, 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, ~~1997~~ 1998.

Sec. 8. Minnesota Statutes 1998, section 290.01, is amended by adding a subdivision to read:

Subd. 32. [HOLOCAUST SETTLEMENT PAYMENTS.] "Holocaust victims' settlement payments" means:

(1) a payment received as a result of settlement of the action entitled In re Holocaust Victims' Asset Litigation, in United States district court for the eastern district of New York, C.A. No. 96-4849;

(2) any amount received under the German Act Regulating Unresolved Property Claims or any other foreign law providing for payments for holocaust claims; and

(3) a payment received as a result of the settlement of a holocaust claim not described in clause (1) or (2), including an insurance claim, a claim relating to looted art or financial assets, and a claim relating to slave labor wages.

Sec. 9. Minnesota Statutes 1998, 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 ~~\$34,500~~, 6 ~~5.5~~ percent;

(2) On all over \$19,910 ~~\$34,500~~, but not over \$79,120 ~~\$113,360~~, 8 ~~7~~ percent;

(3) On all over \$79,120 ~~\$113,360~~, 8.5 ~~8~~ 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 ~~\$17,250~~, 6 ~~5.5~~ percent;

(2) On all over \$13,620 ~~\$17,250~~, but not over \$44,750 ~~\$56,680~~, 8 ~~7~~ percent;

(3) On all over \$44,750 ~~\$56,680~~, ~~8.5~~ 8 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 ~~\$25,870~~, 6 ~~5.5~~ percent;

(2) On all over \$16,770 ~~\$25,870~~, but not over \$67,390 ~~\$85,020~~, 8 ~~7~~ percent;

(3) On all over \$67,390 ~~\$85,020~~, ~~8.5~~ 8 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 additions required under section 290.01, subdivision 19a, clauses (1) and ~~(9)~~ (6), after applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

(2) the denominator is the individual's federal adjusted gross income as defined in section 62 of the Internal Revenue Code of 1986, increased by the amounts specified in section 290.01, subdivision 19a, clauses (1), ~~(5)~~, ~~(6)~~, ~~(7)~~, and ~~(9)~~ (6), and reduced by the amounts specified in section 290.01, subdivision 19b, ~~clauses~~ clause (1), ~~(11)~~, and ~~(12)~~.

Sec. 10. Minnesota Statutes 1998, section 290.06, subdivision 2d, is amended to read:

Subd. 2d. [INFLATION ADJUSTMENT OF BRACKETS.] (a) For taxable years beginning after December 31, ~~1994~~ 1999, 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~~ 1998, and before January 1, ~~1992~~ 2000. 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 ~~1991~~ 2000, 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.

Sec. 11. Minnesota Statutes 1998, section 290.06, is amended by adding a subdivision to read:

Subd. 26. [BANK S CORPORATIONS.] A shareholder of an S corporation subject to tax under section 290.9725, clause (2), is allowed a credit against the tax imposed under this chapter. The credit equals 85 percent of the tax apportioned to the shareholder under section 290.9726, subdivision 7, for the taxable year.

Sec. 12. Minnesota Statutes 1998, section 290.06, is amended by adding a subdivision to read:

Subd. 27. [TAX PAID TO ANOTHER STATE; CORPORATIONS.] (a) A credit is allowed against the tax imposed under subdivision 1 for tax paid to another state based on net income.

(b) The amount of the credit equals the amount of qualifying tax paid to the other state for the taxable year, multiplied by the taxpayer's apportionment percentage under section 290.191. If the item of income or gain is assigned to Minnesota as nonbusiness income, the entire amount of the qualifying tax is allowed as a credit. The maximum amount of the credit is limited to the tax liability under subdivision 1 for the taxable year and, in no case, may the credit exceed the reduction in the amount of tax under subdivision 1 if the item of income or gain were excluded from net income.

(c) For purposes of this subdivision, "qualifying tax" means the amount of tax paid to another state on an item of income or gain for the taxable year, if:

(1) the law of another state requires and the taxpayer assigns the entire amount of the income or gain to one other state; and

(2) the income or gain is included in the measure of the exercise of the corporate franchise that is taxable under subdivision 1.

(d) The amount of tax paid to another state on an item of income or gain is the difference between the tax paid to the state and the amount of tax that would have been paid to the state if the item of income or gain had not been included in the net income of that state.

(e) The taxpayer must report to the commissioner of revenue any change in tax in the other state, the change in qualifying tax, and a copy of the final determination of the tax by the taxing authority of the other state. A taxpayer who claims the credit consents to extend the period of limitation for the commissioner to recompute the credit and reassess the tax due, including a refund, for a period of one year following a report by the taxpayer of a final determination of tax by the state in which the entire amount of income or gain is reported, notwithstanding any period of limitations to the contrary, or within any applicable period of limitations, whichever is longer. If a taxpayer fails to report as required by this paragraph, the commissioner may recompute the tax, including a refund, based on the information available to the commissioner. The tax may be recomputed within six years after the report should have been filed, notwithstanding any period of limitations to the contrary.

Sec. 13. Minnesota Statutes 1998, section 290.0671, subdivision 1, is amended to read:

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

(b) For individuals with no qualifying children, the credit equals 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.

(c) For individuals with one qualifying child, the credit equals 6.8 percent of the first \$6,680 of earned income and 8.5 percent of earned income over \$11,650 but less than \$12,990. 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.

(d) For individuals with two or more qualifying children, the credit equals eight percent of the first \$9,390 of earned income and 20 percent of earned income over \$14,350 but less than \$16,230. The credit is reduced by 8.8 percent of earned income or modified adjusted gross income, whichever is greater, in excess of \$17,280, but in no case is the credit less than zero.

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

(f) For a person who was a resident for the entire tax year and has earned income not subject to tax under this chapter, 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.

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

Sec. 14. Minnesota Statutes 1998, 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 inflation protection that meets or exceeds~~ has been offered in compliance with 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. 15. Minnesota Statutes 1998, section 290.0674, subdivision 1, is amended to read:

Subdivision 1. [CREDIT ALLOWED.] An individual is allowed a credit against the tax imposed by this chapter in an amount equal to the amount paid for education-related expenses for a ~~dependent qualifying child~~ in kindergarten through grade 12. For purposes of this section, "education-related expenses" means:

(1) fees or tuition for instruction by an instructor under section 120A.22, subdivision 10, clause (1), (2), (3), (4), or (5), for instruction outside the regular school day or school year, including tutoring, driver's education offered as part of school curriculum, regardless of whether it is taken from a public or private entity or summer camps, in grade or age appropriate curricula that supplement curricula and instruction available during the regular school year, that assists a dependent to improve knowledge of core curriculum areas or to expand knowledge and skills under the graduation rule under section 120B.02 and that do not include the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship;

(2) expenses for textbooks, including 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. "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the

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

(3) a maximum expense of \$200 per family for personal computer hardware, excluding single purpose processors, and educational software that assists a dependent to improve knowledge of core curriculum areas or to expand knowledge and skills under the graduation rule under section 120B.02 purchased for use in the taxpayer's home and not used in a trade or business regardless of whether the computer is required by the dependent's school; and

(4) the amount paid to others for transportation of a dependent qualifying child attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363.

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

Sec. 16. Minnesota Statutes 1998, section 290.0674, subdivision 2, is amended to read:

Subd. 2. [LIMITATIONS.] (a) For claimants with income not greater than \$33,500, the maximum credit allowed is \$1,000 per qualifying child and \$2,000 per family. No credit is allowed for education-related expenses for claimants with income greater than ~~\$33,500~~ \$37,500. The maximum credit per child is reduced by \$1 for each \$4 of household income over \$33,500, and the maximum credit per family is reduced by \$2 for each \$4 of household income over \$33,500, but in no case is the credit less than zero.

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

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

Sec. 17. Minnesota Statutes 1998, section 290.091, subdivision 1, is amended to read:

Subdivision 1. [IMPOSITION OF TAX.] In addition to all other taxes imposed by this chapter a tax is imposed on individuals, estates, and trusts equal to the excess (if any) of

(a) an amount equal to ~~seven~~ 6.5 percent of alternative minimum taxable income after subtracting the exemption amount, over

(b) the regular tax for the taxable year.

Sec. 18. Minnesota Statutes 1998, section 290.091, subdivision 2, is amended to read:

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

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

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

(2) the taxpayer's itemized deductions allowed in computing federal alternative minimum taxable income, but excluding:

(i) the Minnesota charitable contribution deduction;

(ii) the medical expense deduction;

(iii) the casualty, theft, and disaster loss deduction; ~~and~~

(iv) the impairment-related work expenses of a disabled person; and

(v) holocaust victims' settlement payments to the extent allowed under section 290.01, subdivision 19b; and

(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);

~~(6) 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 ~~(4)~~ (3):

(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; ~~and.~~

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

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 6.5 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. 19. Minnesota Statutes 1998, 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~~ 6.5 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) 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),~~

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

~~(vi) (v) 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 (4) of the second series of clauses, and~~

~~(vii) (vi) 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. 20. Minnesota Statutes 1998, section 290.0921, subdivision 5, is amended to read:

Subd. 5. [CHARITABLE CONTRIBUTIONS.] (a) A deduction from alternative minimum taxable net income is allowed equal to the contributions subject to the deduction for charitable contributions under section 290.21, subdivision 3, without application of the limitation in section 290.21, subdivision 3. The deduction allowable for capital gain property is limited to the adjusted basis of the property as defined in section 290.01, subdivision 19f. The term capital gain property has the meaning given by section 170(b)(1)(C)(iv) of the Internal Revenue Code, but does not include property to which an election under section 170(b)(1)(C)(iii) of the Internal Revenue Code applies.

(b) The amount of the deduction may not exceed 15 percent of alternative minimum taxable net income less the deduction allowed under subdivision 6.

Sec. 21. Minnesota Statutes 1998, section 290.095, subdivision 3, is amended to read:

Subd. 3. [CARRYOVER.] (a) A net operating loss incurred in a taxable year: (i) beginning after December 31, 1986, shall be a net operating loss carryover to each of the 15 taxable years following the taxable year of such loss; (ii) beginning before January 1, 1987, shall be a net operating loss carryover to each of the five taxable years following the taxable year of such loss subject to the provisions of Minnesota Statutes 1986, section 290.095; and (iii) beginning before



January 1, 1987, shall be a net operating loss carryback to each of the three taxable years preceding the loss year subject to the provisions of Minnesota Statutes 1986, section 290.095.

(b) The entire amount of the net operating loss for any taxable year shall be carried to the earliest of the taxable years to which such loss may be carried. The portion of such loss which shall be carried to each of the other taxable years shall be the excess, if any, of the amount of such loss over the sum of the taxable net income, adjusted by the modifications specified in subdivision 4, for each of the taxable years to which such loss may be carried.

(c) Where a corporation ~~does business both within and without Minnesota,~~ and apportionments its income under the provisions of section 290.191, the net operating loss deduction incurred in any taxable year shall be allowed to the extent of the apportionment ratio of the loss year.

(d) The provisions of sections 381, 382, and 384 of the Internal Revenue Code apply to carryovers in certain corporate acquisitions and special limitations on net operating loss carryovers. The limitation amount determined under section 382 shall be applied to net income, before apportionment, in each post change year to which a loss is carried.

Sec. 22. Minnesota Statutes 1998, section 290.17, subdivision 3, is amended to read:

Subd. 3. ~~[TRADE OR BUSINESS INCOME; GENERAL RULE.]~~ All income of a unitary business is subject to apportionment except nonbusiness income. Income derived from ~~carrying on a trade or a unitary business~~ must be assigned to this state if the ~~trade or unitary business~~ is conducted wholly within this state, assigned outside this state if conducted wholly without this state and apportioned between this state and other states and countries under this subdivision if conducted partly within and partly without this state. For purposes of determining whether a ~~trade or unitary business~~ is carried on exclusively within or without this state:

(a) A ~~trade or unitary business~~ physically located exclusively within this state is nevertheless carried on partly within and partly without this state if any of the principles set forth in section 290.191 for the allocation of sales or receipts within or without this state when applied to the taxpayer's situation result in the allocation of any sales or receipts without this state.

(b) A ~~trade or unitary business~~ physically located exclusively without this state is nevertheless carried on partly within and partly without this state if any of the principles set forth in section 290.191 for the allocation of sales or receipts within or without this state when applied to the taxpayer's situation result in the allocation of any sales or receipts without this state. The jurisdiction to tax such a business under this chapter must be determined in accordance with sections 290.014 and 290.015.

Sec. 23. Minnesota Statutes 1998, section 290.17, subdivision 4, is amended to read:

Subd. 4. [UNITARY BUSINESS PRINCIPLE.] (a) If a trade or business conducted wholly within this state or partly within and partly without this state is part of a unitary business, the entire income of the unitary business is subject to apportionment pursuant to section 290.191. Notwithstanding subdivision 2, paragraph (c), none of the income of a unitary business is considered to be derived from any particular source and none may be allocated to a particular place except as provided by the applicable apportionment formula. The provisions of this subdivision do not apply to ~~farm income subject to subdivision 5, paragraph (a); business income subject to subdivision 5, paragraph (b) or (e);~~ income of an insurance company determined under section 290.35, or income of an investment company determined under section 290.36.

(b) The term "unitary business" means business activities or operations which ~~are of mutual benefit, dependent upon, or contributory to one another, individually or as a group~~ result in a flow of value between them. The term may be applied within a single legal entity or between multiple entities and without regard to whether each entity is a sole proprietorship, a corporation, a partnership or a trust.

(c) Unity is presumed whenever there is unity of ownership, operation, and use, evidenced by centralized management or executive force, centralized purchasing, advertising, accounting, or other controlled interaction, but the absence of these centralized activities will not necessarily

evidence a nonunitary business. Unity is also presumed when business activities or operations are of mutual benefit, dependent upon or contributory to one another, either individually or as a group.

(d) Where a business operation conducted in Minnesota is owned by a business entity that carries on business activity outside the state different in kind from that conducted within this state, and the other business is conducted entirely outside the state, it is presumed that the two business operations are unitary in nature, interrelated, connected, and interdependent unless it can be shown to the contrary.

(e) Unity of ownership is not deemed to exist when a corporation is involved unless that corporation is a member of a group of two or more business entities and more than 50 percent of the voting stock of each member of the group is directly or indirectly owned by a common owner or by common owners, either corporate or noncorporate, or by one or more of the member corporations of the group. For this purpose, the term "voting stock" shall include membership interests of mutual insurance holding companies formed under section 60A.077.

(f) The net income and apportionment factors under section 290.191 or 290.20 of foreign corporations and other foreign entities which are part of a unitary business shall not be included in the net income or the apportionment factors of the unitary business. A foreign corporation or other foreign entity which is required to file a return under this chapter shall file on a separate return basis. The net income and apportionment factors under section 290.191 or 290.20 of foreign operating corporations shall not be included in the net income or the apportionment factors of the unitary business except as provided in paragraph (g).

(g) The adjusted net income of a foreign operating corporation shall be deemed to be paid as a dividend on the last day of its taxable year to each shareholder thereof, in proportion to each shareholder's ownership, with which such corporation is engaged in a unitary business. Such deemed dividend shall be treated as a dividend under section 290.21, subdivision 4.

Dividends actually paid by a foreign operating corporation to a corporate shareholder which is a member of the same unitary business as the foreign operating corporation shall be eliminated from the net income of the unitary business in preparing a combined report for the unitary business. The adjusted net income of a foreign operating corporation shall be its net income adjusted as follows:

- (1) any taxes paid or accrued to a foreign country, the commonwealth of Puerto Rico, or a United States possession or political subdivision of any of the foregoing shall be a deduction; and
- (2) the subtraction from federal taxable income for payments received from foreign corporations or foreign operating corporations under section 290.01, subdivision 19d, clause (11), shall not be allowed.

If a foreign operating corporation incurs a net loss, neither income nor deduction from that corporation shall be included in determining the net income of the unitary business.

(h) For purposes of determining the net income of a unitary business and the factors to be used in the apportionment of net income pursuant to section 290.191 or 290.20, there must be included only the income and apportionment factors of domestic corporations or other domestic entities other than foreign operating corporations that are determined to be part of the unitary business pursuant to this subdivision, notwithstanding that foreign corporations or other foreign entities might be included in the unitary business.

(i) Deductions for expenses, interest, or taxes otherwise allowable under this chapter that are connected with or allocable against dividends, deemed dividends described in paragraph (g), or royalties, fees, or other like income described in section 290.01, subdivision 19d, clause (11), shall not be disallowed.

(j) Each corporation or other entity, except a sole proprietorship, that is part of a unitary business must file combined reports as the commissioner determines. On the reports, all intercompany transactions between entities included pursuant to paragraph (h) must be eliminated and the entire net income of the unitary business determined in accordance with this subdivision is

apportioned among the entities by using each entity's Minnesota factors for apportionment purposes in the numerators of the apportionment formula and the total factors for apportionment purposes of all entities included pursuant to paragraph (h) in the denominators of the apportionment formula.

(k) If a corporation has been divested from a unitary business and is included in a combined report for a fractional part of the common accounting period of the combined report:

(1) its income includable in the combined report is its income incurred for that part of the year determined by proration or separate accounting; and

(2) its sales, property, and payroll included in the apportionment formula must be prorated or accounted for separately.

Sec. 24. Minnesota Statutes 1998, section 290.17, subdivision 6, is amended to read:

~~Subd. 6. [NONBUSINESS INCOME.] For a trade or business for which allocation of income within and without this state is required, if the taxpayer has any income not connected with the trade or business carried on partly within and partly without this state that income must be allocated under subdivision 2. Intangible property is employed in a trade or business if the owner of the property holds it as a means of furthering the trade or business. (a) Nonbusiness income is income of the unitary business that cannot be apportioned by this state because of the United States Constitution or the constitution of the state of Minnesota and includes income that cannot constitutionally be apportioned to this state and is derived from a capital transaction that solely serves an investment function. Nonbusiness income must be allocated under subdivision 2.~~

(b) A taxpayer may elect that all income, whether or not connected with the trade or business carried on partly within and partly without this state, is business income apportionable under subdivision 3 and is not subject to paragraph (a) and subdivision 2. The election is effective and irrevocable for the following ten taxable years after the taxable year in which the election is made. The election is binding on all members of a unitary business.

Sec. 25. Minnesota Statutes 1998, section 290.191, subdivision 2, is amended to read:

Subd. 2. [APPORTIONMENT FORMULA OF GENERAL APPLICATION.] Except for those trades or businesses required to use a different formula under subdivision 3 or section 290.35 or 290.36, and for those trades or businesses that receive permission to use some other method under section 290.20 or under subdivision 4, a trade or business required to apportion its net income must apportion its income to this state on the basis of the percentage obtained by taking the sum of:

(1) ~~70~~ 80 percent of the percentage which the sales made within this state in connection with the trade or business during the tax period are of the total sales wherever made in connection with the trade or business during the tax period;

(2) ~~15~~ 10 percent of the percentage which the total tangible property used by the taxpayer in this state in connection with the trade or business during the tax period is of the total tangible property, wherever located, used by the taxpayer in connection with the trade or business during the tax period; and

(3) ~~15~~ 10 percent of the percentage which the taxpayer's total payrolls paid or incurred in this state or paid in respect to labor performed in this state in connection with the trade or business during the tax period are of the taxpayer's total payrolls paid or incurred in connection with the trade or business during the tax period.

Sec. 26. Minnesota Statutes 1998, section 290.191, subdivision 3, is amended to read:

Subd. 3. [APPORTIONMENT FORMULA FOR FINANCIAL INSTITUTIONS.] Except for an investment company required to apportion its income under section 290.36, a financial institution that is required to apportion its net income must apportion its net income to this state on the basis of the percentage obtained by taking the sum of:

(1) ~~70~~ 80 percent of the percentage which the receipts from within this state in connection with the trade or business during the tax period are of the total receipts in connection with the trade or business during the tax period, from wherever derived;

(2) ~~15~~ 10 percent of the percentage which the sum of the total tangible property used by the taxpayer in this state and the intangible property owned by the taxpayer and attributed to this state in connection with the trade or business during the tax period is of the sum of the total tangible property, wherever located, used by the taxpayer and the intangible property owned by the taxpayer and attributed to all states in connection with the trade or business during the tax period; and

(3) ~~15~~ 10 percent of the percentage which the taxpayer's total payrolls paid or incurred in this state or paid in respect to labor performed in this state in connection with the trade or business during the tax period are of the taxpayer's total payrolls paid or incurred in connection with the trade or business during the tax period.

Sec. 27. Minnesota Statutes 1998, section 290.9725, is amended to read:

290.9725 [S CORPORATION.]

For purposes of this chapter, the term "S corporation" means any corporation having a valid election in effect for the taxable year under section 1362 of the Internal Revenue Code, ~~except that a corporation which either:~~

~~(1) is a financial institution to which either section 585 or section 593 of the Internal Revenue Code applies; or~~

~~(2) has a wholly owned subsidiary as described in section 1361(b)(3)(B) of the Internal Revenue Code which is a financial institution as described above~~

is not an "S" corporation for the purposes of this chapter. An S corporation shall not be subject to the taxes imposed by this chapter, except:

(1) the taxes imposed under sections 290.0922, 290.92, 290.9727, 290.9728, and 290.9729; and

(2) the tax under sections 290.06, subdivision 1, and 290.0921 apply to a financial institution to which either section 585 or 593 of the Internal Revenue Code applies or that has a wholly owned subsidiary as described in section 1361(b)(3)(B) of the Internal Revenue Code which is a financial institution under section 585 or 593 of the Internal Revenue Code.

Sec. 28. Minnesota Statutes 1998, section 290.9726, is amended by adding a subdivision to read:

Subd. 7. [FINANCIAL INSTITUTIONS.] An S corporation that is subject to the tax under section 290.9725, clause (2), must report to each shareholder an apportionment of the S corporation's tax obligation for the taxable year for purposes of the credit under section 290.06, subdivision 26. The apportionment to a shareholder must be made in proportion to the amount of taxable income of the S corporation apportioned to the shareholder.

Sec. 29. Minnesota Statutes 1998, 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;

(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; or

(f) holocaust settlement payments as defined in section 290.01, subdivision 32.

(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.

(4) Notwithstanding any other law to the contrary, for purposes of determining eligibility, levels of assistance, and participant payments or fees for state programs other than those in chapter 518, "income" does not include holocaust settlement payments as defined in section 290.01, subdivision 32. For purposes of determining fees under section 256E.08, subdivision 6, counties must exclude holocaust settlement payments, as defined in section 290.01, subdivision 32, from income.

Sec. 30. Minnesota Statutes 1998, 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, ~~1997~~ 1998.

Sec. 31. Minnesota Statutes 1998, 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, ~~1997~~ 1998.

Sec. 32. [NONBUSINESS INCOME; PRE-1999 TAX YEARS.]

If all items of income, gain, or loss are reported by a taxpayer as business income or loss on an original or amended return for a tax year to which this section applies, the commissioner of

revenue shall not adjust the tax liability for that tax year, or for any other tax year affected by a carryover from that tax year, by treating any of the items as nonbusiness income or loss under Minnesota Statutes, section 290.17, subdivision 6. Any adjustment treating an item as nonbusiness income or loss ordered by the commissioner before the effective date of this section must be reversed if the order is subject to administrative or judicial challenge on the effective date and such a challenge is timely filed. The reporting of any item as nonbusiness income, gain, or loss does not preclude the application of this section if the taxpayer may not constitutionally be required to treat the item as business income, gain, or loss.

Sec. 33. [BANK S CORPORATION SHAREHOLDERS; ALTERNATIVE MINIMUM TAX.]

For taxable years beginning after December 31, 1997, and before January 1, 1999, a taxpayer is allowed a deduction in computing alternative minimum taxable income under Minnesota Statutes 1998, section 290.091, subdivision 2, paragraph (a), equal to the amount of the subtraction under Minnesota Statutes 1998, section 290.01, subdivision 19b, clause (13).

Sec. 34. [APPROPRIATION.]

(a) \$50,000 is appropriated from the general fund to the commissioner of revenue to make grants to one or more nonprofit organizations, qualifying under section 501(c)(3) of the Internal Revenue Code of 1986, to coordinate, facilitate, encourage, and aid in the provision of taxpayer assistance services. In making grants under this appropriation, the commissioner shall give preference to organizations that will use the grants to attract new and train new and existing volunteers to provide taxpayer assistance. This appropriation is available for fiscal years 1999 and 2000.

(b) "Taxpayer assistance services" means accounting and tax preparation services provided by volunteers to low-income and disadvantaged Minnesota residents to help them file federal and state income tax returns and Minnesota property tax refund claims and to provide personal representation before the department of revenue and the Internal Revenue Service.

Sec. 35. [EFFECTIVE DATE.]

(a) Sections 1, 7, 30, and 31 are effective at the same time federal changes made by the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law Number 105-206, and the Omnibus Consolidation and Emergency Supplemental Appropriations Act, 1999, Public Law Number 105-277, which are incorporated into Minnesota Statutes, chapters 289A, 290, 290A, and 291 by these sections become effective for federal tax purposes.

(b) Section 2 is intended to clarify rather than to change the definition of resident and is effective for all examinations, claims for refund, administrative appeals, and court proceedings that are pending or begin on or after the day following final enactment.

(c) Sections 4 to 6, 8 to 12, 14 to 19, 22, 23, the changes to clauses (b), (c), and (j), and 24 to 29 are effective for tax years beginning after December 31, 1998.

(d) Section 13 is effective for tax years beginning after December 31, 1997.

(e) Sections 20, 21, and 23, the changes to clause (a), are effective for tax years beginning on or after the day following final enactment.

(f) Section 32 is effective on the day after final enactment and applies to tax years beginning before January 1, 1999.

(g) Section 33 is effective for tax years after December 31, 1997, and beginning before January 1, 1999.

(h) Section 34 is effective the day following final enactment.

## SALES AND USE TAXES

Section 1. Minnesota Statutes 1998, section 289A.18, subdivision 4, is amended to read:

Subd. 4. [SALES AND USE TAX RETURNS.] (a) Sales and use tax returns must be filed on or before the 20th day of the month following the close of the preceding reporting period, except that annual use tax returns provided for under section 289A.11, subdivision 1, must be filed by April 15 following the close of the calendar year, in the case of individuals. Annual use tax returns of businesses, including sole proprietorships, and annual sales tax returns must be filed by February 5 following the close of the calendar year.

(b) Except for the return for the June reporting period, which is due on the following August 25, returns filed by retailers required to remit liabilities by means of funds transfer under section 289A.20, subdivision 4, paragraph (d), are due on or before the 25th day of the month following the close of the preceding reporting period.

(c) If a retailer has an average sales and use tax liability, including local sales and use taxes administered by the commissioner, equal to or less than \$500 per month in any quarter of a calendar year, and has substantially complied with the tax laws during the preceding four calendar quarters, the retailer may request authorization to file and pay the taxes quarterly in subsequent calendar quarters. The authorization remains in effect during the period in which the retailer's quarterly returns reflect sales and use tax liabilities of less than \$1,500 and there is continued compliance with state tax laws.

(d) If a retailer has an average sales and use tax liability, including local sales and use taxes administered by the commissioner, equal to or less than \$100 per month during a calendar year, and has substantially complied with the tax laws during that period, the retailer may request authorization to file and pay the taxes annually in subsequent years. The authorization remains in effect during the period in which the retailer's annual returns reflect sales and use tax liabilities of less than \$1,200 and there is continued compliance with state tax laws.

(e) The commissioner may also grant quarterly or annual filing and payment authorizations to retailers if the commissioner concludes that the retailers' future tax liabilities will be less than the monthly totals identified in paragraphs (c) and (d). An authorization granted under this paragraph is subject to the same conditions as an authorization granted under paragraphs (c) and (d).

(f) A taxpayer who is a materials supplier may report gross receipts either on:

(1) the cash basis as the consideration is received; or

(2) the accrual basis as sales are made.

As used in this paragraph, "materials supplier" means a person who provides materials for the improvement of real property; who is primarily engaged in the sale of lumber and building materials-related products to owners, contractors, subcontractors, repairers, or consumers; who is authorized to file a mechanics lien upon real property and improvements under chapter 514; and who files with the commissioner an election to file sales and use tax returns on the basis of this paragraph.

Sec. 2. Minnesota Statutes 1998, section 289A.20, subdivision 4, is amended to read:

Subd. 4. [SALES AND USE TAX.] (a) The taxes imposed by chapter 297A are due and payable to the commissioner monthly on or before the 20th day of the month following the month in which the taxable event occurred, or following another reporting period as the commissioner prescribes or as allowed under section 289A.18, subdivision 4, paragraph (f), except that use taxes due on an annual use tax return as provided under section 289A.11, subdivision 1, are payable by April 15 following the close of the calendar year.

(b) A vendor having a liability of \$120,000 or more during a fiscal year ending June 30 must remit the June liability for the next year in the following manner:



(1) Two business days before June 30 of the year, the vendor must remit 75 percent of the estimated June liability to the commissioner.

(2) On or before August 14 of the year, the vendor must pay any additional amount of tax not remitted in June.

(c) A vendor 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 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 14th day of the month following the month in which the taxable event occurred, or on or before the 14th day of the month following the month in which the sale is reported under section 289A.18, subdivision 4, except for 75 percent of the estimated June liability, which is due two business days before June 30. The remaining amount of the June liability is due on August 14. 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) If the vendor required to remit by electronic funds transfer as provided in paragraph (c) is unable due to reasonable cause to determine the actual sales and use tax due on or before the due date for payment, the vendor may remit an estimate of the tax owed using one of the following options:

(1) 100 percent of the tax reported on the previous month's sales and use tax return;

(2) 100 percent of the tax reported on the sales and use tax return for the same month in the previous calendar year; or

(3) 95 percent of the actual tax due.

Any additional amount of tax that is not remitted on or before the due date for payment, must be remitted with the return. If a vendor fails to remit the actual liability or does not remit using one of the estimate options by the due date for payment, the vendor must remit actual liability as provided in paragraph (c) in all subsequent periods. This paragraph does not apply to the June sales and use tax liability.

Sec. 3. Minnesota Statutes 1998, 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, if the refund claim includes a detailed schedule of purchases made during each of the periods in the claim. If the refund claim submitted does not contain a schedule reflecting purchases made in each period, interest is computed from the date the claim was filed.

Sec. 4. Minnesota Statutes 1998, section 297A.01, subdivision 15, is amended to read:

Subd. 15. "Farm machinery" means new or used machinery, equipment, implements, accessories, and contrivances used directly and principally in the production for sale, but not including the processing, of livestock, dairy animals, dairy products, poultry and poultry products, fruits, vegetables, trees and shrubs as nursery stock, forage, grains and bees and apiary products. "Farm machinery" includes:

(1) machinery for the preparation, seeding or cultivation of soil for growing agricultural crops and sod, harvesting and threshing of agricultural products, harvesting or mowing of sod, and certain machinery for dairy, livestock and poultry farms;

(2) barn cleaners, milking systems, grain dryers, automatic feeding systems and similar installations, whether or not the equipment is installed by the seller and becomes part of the real property;

(3) irrigation equipment sold for exclusively agricultural use, including pumps, pipe fittings, valves, sprinklers and other equipment necessary to the operation of an irrigation system when sold as part of an irrigation system, whether or not the equipment is installed by the seller and becomes part of the real property;

(4) logging equipment, including chain saws used for commercial logging;

(5) fencing used for the containment of farmed cervidae, as defined in section 17.451, subdivision 2;

(6) primary and backup generator units used to generate electricity for the purpose of operating farm machinery, as defined in this subdivision, or providing light or space heating necessary for the production of livestock, dairy animals, dairy products, or poultry and poultry products; and

(7) aquaculture production equipment as defined in subdivision 19.

Repair or replacement parts for farm machinery shall not be included in the definition of farm machinery.

Tools, shop equipment, grain bins, feed bunks, fencing material except fencing material covered by clause (5), communication equipment and other farm supplies shall not be considered to be farm machinery. "Farm machinery" does not include motor vehicles taxed under chapter 297B, snowmobiles, snow blowers, lawn mowers except those used in the production of sod for sale, garden-type tractors or garden tillers and the repair and replacement parts for those vehicles and machines.

Sec. 5. Minnesota Statutes 1998, section 297A.25, subdivision 9, is amended to read:

Subd. 9. [MATERIALS CONSUMED IN PRODUCTION.] The gross receipts from the sale of and the storage, use, or consumption of all materials, including chemicals, fuels, petroleum products, lubricants, packaging materials, including returnable containers used in packaging food and beverage products, feeds, seeds, fertilizers, electricity, gas and steam, used or consumed in agricultural or industrial production of personal property intended to be sold ultimately at retail, whether or not the item so used becomes an ingredient or constituent part of the property produced are exempt. Seeds, trees, fertilizers, and herbicides purchased for use by farmers in the Conservation Reserve Program under United States Code, title 16, section 590h, as amended through December 31, 1991, the Integrated Farm Management Program under section 1627 of Public Law Number 101-624, the Wheat and Feed Grain Programs under sections 301 to 305 and 401 to 405 of Public Law Number 101-624, and the conservation reserve program under sections 103F.505 to 103F.531, are included in this exemption. Sales to a veterinarian of materials used or consumed in the care, medication, and treatment of horses and agricultural production animals are exempt under this subdivision. Chemicals used for cleaning food processing machinery and equipment are included in this exemption. Materials, including chemicals, fuels, and electricity purchased by persons engaged in agricultural or industrial production to treat waste generated as a result of the production process are included in this exemption. Such production shall include, but is not limited to, research, development, design or production of any tangible personal property, manufacturing, processing (other than by restaurants and consumers) of agricultural products whether vegetable or animal, commercial fishing, refining, smelting, reducing, brewing, distilling, printing, mining, quarrying, lumbering, generating electricity and the production of road building materials. Such production shall not include painting, cleaning, repairing or similar processing of property except as part of the original manufacturing process. Machinery, equipment, implements, tools, accessories, appliances, contrivances, furniture and fixtures, used in such production and fuel, electricity, gas or steam used for space heating or lighting, are not included within this exemption; however, accessory tools, equipment and other short lived items, which are separate detachable units used in producing a direct effect upon the product, where such items have an ordinary useful life of less than 12 months, are included within the exemption provided herein. The following materials, tools, and equipment used in metalcasting are exempt under this subdivision: crucibles, thermocouple protection sheaths and tubes, stalk tubes, refractory materials, molten metal filters and filter boxes, and degassing lances. Electricity used to make snow for outdoor use for ski hills, ski slopes, or ski trails is included in this exemption. Petroleum

and special fuels used in producing or generating power for propelling ready-mixed concrete trucks on the public highways of this state are not included in this exemption.

Sec. 6. Minnesota Statutes 1998, 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, an instrumentality of a political subdivision that is accredited as an optional/special function school by the North Central Association of Colleges and Schools, 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.

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 county or town of gravel and of machinery, equipment, and accessories, except motor vehicles, used exclusively for road and bridge maintenance, and leases of motor vehicles exempt from tax under section 297B.03, clause (10), 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. 7. Minnesota Statutes 1998, section 297A.25, subdivision 63, is amended to read:

Subd. 63. [HOSPITALS AND OUTPATIENT SURGICAL CENTERS.] (a) The gross receipts from the sale of tangible personal property to, and the storage, use, or consumption of such property by, a hospital are exempt, if the property purchased is to be used in providing hospital services to human beings. For purposes of this subdivision, "hospital" means a hospital organized and operated for charitable purposes within the meaning of section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and licensed under chapter 144 or by any other jurisdiction. For purposes of this subdivision, "hospital services" are means services authorized or required to be performed by a "hospital" hospital under chapter 144 and regulations rules thereunder or under the applicable licensure law of any other jurisdiction. ~~This exemption does~~

(b) The gross receipts from the sale of tangible personal property to, and the storage, use, or consumption of such property by, an outpatient surgical center are exempt, if the property purchased is to be used in providing outpatient surgical services to human beings. For purposes of this subdivision, "outpatient surgical center" means an outpatient surgical center organized and operated for charitable purposes within the meaning of section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and licensed under chapter 144 or by any other jurisdiction. For the purposes of this subdivision, "outpatient surgical services" means: (1) services authorized or required to be performed by an outpatient surgical center under chapter 144 and rules thereunder or under the applicable licensure law of any other jurisdiction; and (2) urgent care. For purposes of this subdivision, "urgent care" means health services furnished to a person whose medical condition is sufficiently acute to require treatment unavailable through, or inappropriate to be provided by, a clinic or physician's office, but not so acute as to require treatment in a hospital emergency room.

(c) These exemptions do not apply to purchases made by a clinic, physician's office, or any other medical facility not operating as a hospital or outpatient surgical center, even though the clinic, office, or facility may be owned and operated by a hospital or outpatient surgical center. Sales exempted by this subdivision do not include sales under section 297A.01, subdivision 3, paragraphs (c) and (e). ~~This exemption does~~ These exemptions do 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 hospital or outpatient surgical center. ~~This exemption does~~ These exemptions do not apply to construction materials to be used in constructing buildings or facilities which will not be used principally by a hospital or outpatient surgical center. ~~This exemption does~~ These exemptions do not apply to the leasing of a motor vehicle as defined in section 297B.01, subdivision 5.

Sec. 8. Minnesota Statutes 1998, section 297A.25, subdivision 73, is amended 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, including materials used to construct buildings to house that equipment, are exempt.

Sec. 9. Minnesota Statutes 1998, section 297A.25, is amended by adding a subdivision to read:

Subd. 79. [PRIZES.] The gross receipts from the sales of tangible personal property which will

be given as prizes to players in games of skill or chance conducted at events such as community festivals, fairs, and carnivals lasting less than six days are exempt. This exemption shall not apply to property awarded as prizes in connection with lawful gambling as defined in section 349.12 or the state lottery.

Sec. 10. Minnesota Statutes 1998, section 297A.25, is amended by adding a subdivision to read:

Subd. 80. [CONSTRUCTION MATERIALS AND SUPPLIES; AGRICULTURAL PROCESSING FACILITY.] Purchases of construction materials, supplies, and equipment 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, supplies, and equipment are used or consumed in the expansion, remodeling, or improvement of a facility used for cattle slaughtering;

(2) the cost of the expansion or improvement project exceeds \$15,000,000;

(3) the expansion, remodeling, or improvement of the facility will be used to fabricate beef;

(4) the number of jobs at the facility will increase by at least 150 when the project is completed;  
and

(5) the project is completed by December 31, 2001.

Sec. 11. Minnesota Statutes 1998, section 297A.25, is amended by adding a subdivision to read:

Subd. 81. [SMOKING CESSATION DEVICES.] The gross receipts from the sale of and the storage, use, or consumption of items of personal property that are approved by the Federal Drug Administration for use exclusively to assist individuals to refrain from smoking tobacco, such as nicotine patches and nicotine gum, are exempt.

Sec. 12. Minnesota Statutes 1998, section 297A.25, is amended by adding a subdivision to read:

Subd. 82. [TELEVISION COMMERCIALS.] The gross receipts from the sale of and storage, use, or consumption of tangible personal property which is primarily used or consumed in the preproduction, production, or postproduction of any television commercial and any such commercial, regardless of the medium in which it is transferred, are exempt. "Preproduction" and "production" include but are not limited to all activities related to the preparation for shooting and the shooting of television commercials, including film processing. Equipment rented for the preproduction and production activities is exempt. "Postproduction" includes but is not limited to all activities related to the finishing and duplication of television commercials. This exemption does not apply to tangible personal property used primarily in administration, general management, or marketing. Machinery and equipment purchased for use in producing such commercials and fuel, electricity, gas, or steam used for space heating or lighting are not exempt under this subdivision.

Sec. 13. Minnesota Statutes 1998, section 297A.25, is amended by adding a subdivision to read:

Subd. 83. [CONSTRUCTION MATERIALS AND EQUIPMENT; BIOMASS ELECTRICAL GENERATING FACILITY.] The gross receipts from the purchases of materials and supplies used or consumed in, and equipment incorporated into, the construction, improvement, or expansion of a facility using biomass to generate electricity 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 facility exclusively utilizes residue wood, sawdust, bark, chipped wood, or brush to generate electricity;

(2) the facility utilizes a reciprocated grate combination system; and

(3) the total gross capacity of the facility is 15 to 21 megawatts.

Sec. 14. Minnesota Statutes 1998, section 297A.48, is amended by adding a subdivision to read:

Subd. 7a. [DETERMINATION OF WHERE SALES OCCUR.] In determining whether a sale occurs within a political subdivision, the retailer may use the zip code of the purchaser's delivery address only if that zip code area is entirely contained within the political subdivision. If the zip code area contains more than one political subdivision, the retailer must use the purchaser's actual delivery address to determine the local sales tax that is imposed. Notwithstanding subdivision 10, this subdivision applies to all local sales taxes without regard to the date of authorization.

Sec. 15. [297A.2532] [HEALTH CLUBS; SALES TAX NOTICE.]

Each organization, whether or not incorporated, whose primary business purpose is to provide access to equipment and services for aerobic or anaerobic exercise for the promotion of health and fitness which is not member governed or member controlled, and which is subject to the sales tax by virtue of section 297A.01, subdivision 3, paragraph (k), shall separately identify in its membership agreement or invoices the sales tax collected by the organization on the organization's initiation fees and membership dues.

Sec. 16. Minnesota Statutes 1998, section 297B.01, subdivision 7, is amended to read:

Subd. 7. [SALE, SELLS, SELLING, PURCHASE, PURCHASED, OR ACQUIRED.] "Sale," "sells," "selling," "purchase," "purchased," or "acquired" means any transfer of title of any motor vehicle, whether absolutely or conditionally, for a consideration in money or by exchange or barter for any purpose other than resale in the regular course of business. Any motor vehicle utilized by the owner only by leasing such vehicle to others or by holding it in an effort to so lease it, and which is put to no other use by the owner other than resale after such lease or effort to lease, shall be considered property purchased for resale. The terms also shall include any transfer of title or ownership of a motor vehicle by way of gift or by any other manner or by any other means whatsoever, for or without consideration, except that these terms shall not include:

(a) the acquisition of a motor vehicle by inheritance from or by bequest of, a decedent who owned it;

(b) the transfer of a motor vehicle which was previously licensed in the names of two or more joint tenants and subsequently transferred without monetary consideration to one or more of the joint tenants;

(c) the transfer of a motor vehicle by way of gift between a husband and wife or parent and child individuals, when the transfer is with no monetary or other consideration or in expectation of consideration and the parties to the transfer submit an affidavit to this effect at the time the title transfer is recorded;

(d) the voluntary or involuntary transfer of a motor vehicle between a husband and wife in a divorce proceeding; or

(e) the transfer of a motor vehicle by way of a gift to an organization that is exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code, as amended through December 31, 1996, when the motor vehicle will be used exclusively for religious, charitable, or educational purposes.

Sec. 17. Minnesota Statutes 1998, 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 of a ready-mixed concrete truck.

(10) Purchase or use of a motor vehicle by a county or town for use exclusively for road maintenance, including snowplows and dump trucks, but not including automobiles, vans, or pickup trucks.

Sec. 18. Laws 1998, chapter 389, article 8, section 44, subdivision 5, is amended to read:

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 may be returned to the cities in a manner agreed upon by the participating cities under this section, to be used by the cities for projects of regional significance, limited to the acquisition and improvement of park land and open space; 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).

(c) If start of the Central Minnesota Events Center under paragraph (a) is delayed, the cities may still impose the tax, and use a portion of the revenue to fund the projects under paragraph (b), provided that revenues are reserved to pay future costs of the construction of the events center in paragraph (a) as provided by a joint powers agreement or by a governing entity in charge of administering the project. If a decision is made not to proceed with the event center under paragraph (a) or construction of the event center has not begun by December 31, 2008, the funds in the reserve account shall be distributed to the cities based on the joint powers agreement to pay for other projects permitted under paragraph (b). All revenues raised from these taxes after December 31, 2008, must be used exclusively to pay off bonds for the event center project under paragraph (a) and to pay off bonds issued under subdivision 6.

Sec. 19. Laws 1998, chapter 389, article 8, section 44, subdivision 6, is amended to read:

Subd. 6. [BONDING AUTHORITY.] (a) The cities named in subdivision 1 may issue bonds under Minnesota Statutes, chapter 475, to finance the acquisition, construction, and improvement of the Central Minnesota Events Center. An election to approve the bonds under Minnesota Statutes, section 475.58, may be held in combination with the election to authorize imposition of the tax under subdivision 1. Whether to permit imposition of the tax and issuance of bonds may be posed to the voters as a single question. The question must state that the sales tax revenues are pledged to pay the bonds, but that the bonds are general obligations and will be guaranteed by the city's property taxes.

(b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes, section 275.60.

(c) The bonds are not included in computing any debt limitation applicable to the city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

The aggregate principal amount of bonds issued by all cities named in subdivision 1, plus the aggregate of the taxes used directly to pay eligible capital expenditures and improvements for the Central Minnesota Events Center, may not exceed \$50,000,000, plus an amount equal to the costs related to issuance of the bonds, less any amount made available to the cities for the project described in subdivision 5 under the capital expenditure legislation adopted during the 1998 session of the legislature.

(d) The taxes may be pledged to and used for the payment of the bonds and any bonds issued to refund them, only if the bonds and any refunding bonds are general obligations of the city.

(e) The cities named in subdivision 1 may issue bonds for the projects listed in subdivision 5, paragraph (b), under regular bonding authority. Bonds for these projects, to be paid from tax revenues under this section, may not be issued after December 31, 2008.

Sec. 20. Laws 1998, chapter 389, article 8, section 44, subdivision 7, as amended by Laws 1998, chapter 408, section 20, is amended to read:

Subd. 7. [TERMINATION OF TAXES.] The taxes imposed by each city under subdivisions 1 to 4 expire at the earlier of 30 years or when sufficient funds have been received from the taxes to finance the obligations under subdivisions 5, paragraph (a), and 6, 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.

If the cities that pass a referendum required under subdivision 6 1 determine that the revenues raised from the sum of all the taxes authorized by referendum under this subdivision section will



not be sufficient to fund the project in subdivision 5, paragraph (a), none of the authorized taxes may be imposed.

If the taxes are imposed, as allowed under subdivision 5, paragraph (c), and the cities determine at a later date that there are not sufficient funds to fund the Central Minnesota Events Center under subdivision 5, paragraph (a), or the funding for the event center has not been determined by December 31, 2008, the taxes will be terminated as soon as sufficient revenues are raised to prepay or retire at maturity the principal, interest, and premium due on bonds issued under subdivision 6, paragraph (e).

Sec. 21. [EFFECTIVE DATES.]

Sections 1, 2, 4, 6, 7, 9, 11, 12, and 17 are effective for sales and purchases made after June 30, 1999.

Section 3 is effective for amended returns and refund claims filed on or after July 1, 1999.

Section 5 is effective the day following final enactment and applies retroactively to all open tax years and to assessments and appeals under Minnesota Statutes, sections 289A.38 and 289A.65, for which the time limits have not expired on the date of final enactment of this act. The provisions of Minnesota Statutes, section 289A.50, apply to refunds claimed under section 5. Refunds claimed under section 5 must be filed by the later of December 31, 1999, or the time limit under Minnesota Statutes, section 289A.40, subdivision 1.

Section 8 is effective retroactively for sales and purchases made after June 30, 1998.

Section 10 is effective for purchases and sales made after the date of final enactment.

Section 13 is effective for purchases made after the date of final enactment and before July 1, 2001.

Section 14 is effective the day following final enactment.

Section 16 is effective July 1, 1999.

#### ARTICLE 4 SPECIAL TAXES

Section 1. Minnesota Statutes 1998, section 287.01, subdivision 3, as amended by Laws 1999, chapter 31, section 1, is amended to read:

Subd. 3. [DEBT.] "Debt" means the principal amount of an obligation to pay money ~~or to perform or refrain from performing an act~~ that is secured in whole or in part by a mortgage of an interest in real property.

Sec. 2. Minnesota Statutes 1998, section 287.05, subdivision 1, as amended by Laws 1999, chapter 31, section 5, is amended to read:

Subdivision 1. [REAL PROPERTY OUTSIDE MINNESOTA.] (a) When a multistate mortgage is intended to secure only a portion of a debt amount recited or referred to in the mortgage, the mortgage may contain the following statement, or its equivalent, on the first page: "Notwithstanding anything to the contrary herein, enforcement of this mortgage in Minnesota is limited to a debt amount of \$..... under chapter 287 of Minnesota Statutes." In such case, the tax shall be imposed based only on the amount of debt so stated to be secured by real property located in this state; and, the effect of the mortgage, or any amendment or extension, as evidence in any court in this state, or as notice for any purpose in this state, shall be limited to the amount contained in the statement and for which the tax has been paid and additional amounts for accrued interest and advances not subject to tax under section 287.035 or 287.05, subdivision 4.

(b) All multistate mortgages not taxed under paragraph (a) shall be taxed under sections 287.01 to 287.13 as if the real property identified in the mortgage secures payment of that portion of the

maximum debt amount referred to, or incorporated by reference, in the mortgage that is equal to a fraction the numerator of which is the value of the real property described in the mortgage that is located in this state and the denominator of which is the value of all the real property described in the mortgage.

Sec. 3. Minnesota Statutes 1998, section 287.05, subdivision 1a, as amended by Laws 1999, chapter 31, section 5, is amended to read:

Subd. 1a. [REAL PROPERTY IN THIS STATE SECURES PORTION OF DEBT.] (a) When the real property identified in a mortgage is located entirely in this state and is intended to secure only a portion of a debt amount recited or referred to in the mortgage, the mortgage may contain the following statement, or its equivalent, on the first page: "Notwithstanding anything to the contrary herein, enforcement of this mortgage is limited to a debt amount of \$..... under chapter 287 of Minnesota Statutes." In such case, the tax shall be imposed based only on the amount of debt so stated to be secured by real property; and, the effect of the mortgage, or any amendment or extension, evidence in any court in this state, or as notice for any purpose in this state, shall be limited to the amount contained in the statement and for which the tax has been paid and additional amounts for accrued interest and advances not subject to tax under section 287.035 or 287.05, subdivision 4.

(b) All mortgages that are not multistate mortgages and that are not taxed under paragraph (a) shall be taxed under sections 287.01 to 287.13 as if the real property identified in the mortgage secures payment of the maximum debt amount referred to, or incorporated by reference, in the mortgage.

Sec. 4. Minnesota Statutes 1998, section 296A.16, is amended by adding a subdivision to read:

Subd. 4a. [UNDYED KEROSENE; REFUNDS.] Notwithstanding subdivision 1, the commissioner shall allow a refund of the tax paid on undyed kerosene used exclusively for a purpose other than as fuel for a motor vehicle using the streets and highways. To obtain a refund, the person making the sale to an end user must meet the Internal Revenue Service requirements for sales from a blocked pump. A claim for a refund may be filed as provided in this section.

Sec. 5. Minnesota Statutes 1998, section 296A.16, is amended by adding a subdivision to read:

Subd. 4b. [RACING GASOLINE; REFUNDS.] Notwithstanding subdivision 1, the commissioner shall allow a licensed distributor a refund of the tax paid on leaded gasoline of 110 octane or more that does not meet ASTM specification D4814 for gasoline and that is sold in bulk for use in nonregistered motor vehicles. A claim for a refund may be filed as provided for in this section.

Sec. 6. Minnesota Statutes 1998, section 297E.01, is amended by adding a subdivision to read:

Subd. 17a. [BUSINESS DAY.] "Business day" means Monday through Friday, excluding any holidays as defined in section 645.44.

Sec. 7. Minnesota Statutes 1998, 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, pull-tab deals or games; and (2) tipboards purchased and placed into inventory after June 30, 1988 tipboard deals or games; and (3) items listed in section 297E.01, subdivision 8, clauses (4) and (5), at the rate of 9.5 8.5 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. 8. Minnesota Statutes 1998, section 297E.02, subdivision 3, is amended to read:

Subd. 3. [COLLECTION; DISPOSITION.] Taxes imposed by this section other than in subdivision 4 are due and payable to the commissioner when the gambling tax return is required to be filed. Taxes imposed by subdivision 4 are due and payable to the commissioner on or before the last business day of the month following the month in which the taxable sale was made. Returns covering the taxes imposed under this section must be filed with the commissioner on or before the 20th day of the month following the close of the previous calendar month. The commissioner may require that the returns be filed via magnetic media or electronic data transfer. The proceeds, along with the revenue received from all license fees and other fees under sections 349.11 to 349.191, 349.211, and 349.213, must be paid to the state treasurer for deposit in the general fund.

Sec. 9. Minnesota Statutes 1998, 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 ~~1.9~~ 1.7 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 ~~1.9~~ 1.7 percent of the face value of the unsold pull-tab or tipboard tickets, provided that the refund or credit will be ~~1.95~~ 1.8 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~~ 2000 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. 10. Minnesota Statutes 1998, 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>1.9</del> 1.7 percent of the amount over \$500,000, but not over \$700,000
Over \$700,000, but not over \$900,000	<del>\$3,800</del> <del>\$3,400</del> plus <del>3.8</del> 3.4 percent of the amount over \$700,000, but not over \$900,000
Over \$900,000	<del>\$11,400</del> <del>\$10,200</del> plus <del>5.7</del> 5.1 percent of the amount over \$900,000

Sec. 11. Minnesota Statutes 1998, section 297F.01, subdivision 23, is amended to read:

Subd. 23. [WHOLESALE PRICE.] "Wholesale price" means the established price for which a manufacturer or person sells a tobacco product to a distributor, exclusive of any discount or other reduction.

Sec. 12. Minnesota Statutes 1998, section 297F.17, subdivision 6, is amended to read:

Subd. 6. [TIME LIMIT FOR BAD DEBT ~~DEDUCTION~~ REFUND.] Claims for refund must be filed with the commissioner ~~within one year of~~ during the one-year period beginning with the timely filing date of the taxpayer's federal income tax return containing the bad debt deduction that is being claimed. Claimants under this subdivision are subject to the notice requirements of section 289A.38, subdivision 7.

Sec. 13. Minnesota Statutes 1998, section 297H.05, is amended to read:

297H.05 [SELF-HAULERS.]

(a) A self-hauler of mixed municipal solid waste shall pay the tax to the operator of the waste management facility to which the waste is delivered at the rate imposed under section 297H.03, based on the sales price of the waste management services.

(b) A self-hauler of non-mixed-municipal solid waste shall pay the tax to the operator of the waste management facility to which the waste is delivered at the rate imposed under section 297H.04.

(c) The tax imposed on the self-hauler of non-mixed-municipal solid waste may be based either on the capacity of the container, the actual volume, or the weight-to-volume conversion schedule in paragraph (d). However, the tax must be calculated by the operator using the same method for calculating the tipping fee so that both are calculated according to container capacity, actual volume, or weight.

(d) The weight-to-volume conversion schedule for:

(1) construction debris as defined in section 115A.03, subdivision 7, is one ton equals 3.33 cubic yards, or \$2 per ton;

(2) industrial waste as defined in section 115A.03, subdivision 13a, is equal to 60 cents per cubic yard. The commissioner of revenue, after consultation with the commissioner of the pollution control agency, shall determine, and may publish by notice, a conversion schedule for various industrial wastes; and

(3) infectious waste as defined in section 116.76, subdivision 12, and pathological waste as defined in section 116.76, subdivision 14, is 150 pounds equals one cubic yard, or 60 cents per 150 pounds.

(e) For mixed municipal solid waste the tax is imposed upon the difference between the market price and the tip fee at a processing or disposal facility if the tip fee is less than the market price and the political subdivision subsidizes the cost of service at the facility. The political subdivision is liable for the tax.

Sec. 14. Minnesota Statutes 1998, section 297H.06, subdivision 2, is amended to read:

Subd. 2. [MATERIALS.] The tax is not imposed upon charges to generators of mixed municipal solid waste or upon the volume of non-mixed-municipal solid waste for waste management services to manage the following materials:

(1) mixed municipal solid waste and non-mixed-municipal solid waste generated outside of Minnesota;

(2) recyclable materials that are separated for recycling by the generator, collected separately from other waste, and recycled, to the extent the price of the service for handling recyclable material is separately itemized;

(3) recyclable non-mixed-municipal solid waste that is separated for recycling by the generator, collected separately from other waste, delivered to a waste facility for the purpose of recycling, and recycled;

(4) industrial waste, when it is transported to a facility owned and operated by the same person that generated it;

(5) mixed municipal solid waste from a recycling facility that separates or processes recyclable materials and reduces the volume of the waste by at least 85 percent, provided that the exempted waste is managed separately from other waste;

(6) recyclable materials that are separated from mixed municipal solid waste by the generator, collected and delivered to a waste facility that recycles at least 85 percent of its waste, and are collected with mixed municipal solid waste that is segregated in leakproof bags, provided that the mixed municipal solid waste does not exceed five percent of the total weight of the materials delivered to the facility and is ultimately delivered to a waste facility identified as a preferred waste management facility in county solid waste plans under section 115A.46;

(7) through December 31, 2002, source-separated compostable waste, if the waste is delivered to a facility exempted as described in this clause. To initially qualify for an exemption, a facility must apply for an exemption in its application for a new or amended solid waste permit to the pollution control agency. The first time a facility applies to the agency it must certify in its application that it will comply with the criteria in items (i) to (v) and the commissioner of the agency shall so certify to the commissioner of revenue who must grant the exemption. For each subsequent calendar year, by October 1 of the preceding year, the facility must apply to the agency for certification to renew its exemption for the following year. The application must be filed according to the procedures of, and contain the information required by, the agency. The commissioner of revenue shall grant the exemption if the commissioner of the pollution control agency finds and certifies to the commissioner of revenue that based on an evaluation of the composition of incoming waste and residuals and the quality and use of the product:

- (i) generators separate materials at the source;
- (ii) the separation is performed in a manner appropriate to the technology specific to the facility that:
  - (A) maximizes the quality of the product;
  - (B) minimizes the toxicity and quantity of residuals; and
  - (C) provides an opportunity for significant improvement in the environmental efficiency of the operation;
- (iii) the operator of the facility educates generators, in coordination with each county using the facility, about separating the waste to maximize the quality of the waste stream for technology specific to the facility;
- (iv) process residuals do not exceed 15 percent of the weight of the total material delivered to the facility; and
- (v) the final product is accepted for use; and
- (8) waste and waste by-products for which the tax has been paid; and
- (9) daily cover for landfills that has been approved in writing by the Minnesota pollution control agency.

Sec. 15. [EFFECTIVE DATES.]

Sections 1 to 3 are effective for documents executed, recorded, or registered after June 30, 1999.

Section 4 is effective retroactively for sales made after June 30, 1998. Section 5 is effective retroactively for sales made after January 31, 1999. Section 6 is effective August 1, 1999. Sections 7, 9, and 10 are effective July 1, 1999. Section 8 is effective for taxes first becoming due on or after August 1, 1999. Sections 11 and 14 are effective the day following final enactment. Section 12 is effective for refund claims filed on or after July 1, 1999. Section 13 is effective for services provided on or after July 1, 1999.

ARTICLE 5  
MINNESOTACARE

Section 1. Minnesota Statutes 1998, 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, 2000, and 2001~~, 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 the previous 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 during the calendar year.~~

(i) For calendar years after ~~1999~~ 2001, the commissioner of finance shall determine the balance of the health care access fund on September 1 of each year beginning September 1, 1999 2001. 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. In determining the structural balance of the

health care access fund for fiscal years 2000 and 2001, the commissioner shall disregard the transfer amount from the health care access fund to the general fund for expenditures associated with the services provided to pregnant women and children under the age of two enrolled in the MinnesotaCare program.

(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. Minnesota Statutes 1998, section 62J.041, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] (a) For purposes of this section, the following definitions apply.

(b) "Health plan company" has the definition provided in section 62Q.01.

(c) "Total expenditures" means incurred claims or expenditures on health care services, administrative expenses, charitable contributions, and all other payments made by health plan companies out of premium revenues.

(d) "Net expenditures" means total expenditures minus exempted taxes and assessments and payments or allocations made to establish or maintain reserves.

(e) "Exempted taxes and assessments" means direct payments for taxes to government agencies, contributions to the Minnesota comprehensive health association, the medical assistance provider's surcharge under section 256.9657, the MinnesotaCare provider tax under Minnesota Statutes 1998, section 295.52, assessments by the health coverage reinsurance association, assessments by the Minnesota life and health insurance guaranty association, assessments by the Minnesota risk adjustment association, and any new assessments imposed by federal or state law.

(f) "Consumer cost-sharing or subscriber liability" means enrollee coinsurance, copayment, deductible payments, and amounts in excess of benefit plan maximums.

Sec. 3. Minnesota Statutes 1998, section 62Q.095, subdivision 6, is amended to read:

Subd. 6. [EXEMPTION.] ~~A health plan company, to the extent that it operates as a staff model health plan company as defined in section 295.50, subdivision 12b, by employing allied independent health care providers to deliver health care services to enrollees, is exempt from this section. For purposes of this subdivision, "staff model health plan company" means a health plan company as defined in section 62Q.01, subdivision 4, which employs one or more types of health care providers to deliver health care services to the health plan company's enrollees.~~

Sec. 4. [62Q.68] [PASS-THROUGH OF SAVINGS TO CONSUMERS.]

Subdivision 1. [REDUCED PREMIUMS.] All health plan companies shall pass on to consumers, in the form of reduced premium rates, all savings resulting from the phase-out and repeal of the MinnesotaCare provider taxes imposed under Minnesota Statutes 1998, section 295.52, and the resulting reduction in the transfer of additional expenses generated by Minnesota Statutes 1998, section 295.52, obligations to third party contracts under Minnesota Statutes 1998, section 295.582.

Subd. 2. [DOCUMENTING COMPLIANCE.] Each health plan company shall include with its annual renewal for certification of authority or licensure documentation indicating compliance with subdivision 1.

Subd. 3. [ENFORCEMENT.] If the appropriate commissioner finds that a health plan company has not complied with subdivision 1, the commissioner may take enforcement action against that health plan company. The commissioner may, by order, fine or censure the health plan company or revoke or suspend the certificate of authority or license of the health plan company to do business in this state if the commissioner finds that the health plan company has not complied with this section. The health plan company may appeal the commissioner's order through a contested case hearing in accordance with chapter 14.



Sec. 5. Minnesota Statutes 1998, section 214.16, subdivision 2, is amended to read:

Subd. 2. [BOARD COOPERATION REQUIRED.] The board shall assist the commissioner of health in data collection activities required under Laws 1992, chapter 549, article 7, ~~and shall assist the commissioner of revenue in activities related to collection of the health care provider tax required under Laws 1992, chapter 549, article 9.~~ Upon the request of the commissioner ~~or the commissioner of revenue~~, the board shall make available names and addresses of current licensees and provide other information or assistance as needed.

Sec. 6. Minnesota Statutes 1998, section 214.16, subdivision 3, is amended to read:

Subd. 3. [GROUNDS FOR DISCIPLINARY ACTION.] The board shall take disciplinary action, which may include license revocation, against a regulated person for:

(1) intentional failure to provide the commissioner of health with the data required under chapter 62J;

~~(2) intentional failure to provide the commissioner of revenue with data on gross revenue and other information required for the commissioner to implement sections 295.50 to 295.58;~~

~~(3) intentional failure to pay the health care provider tax required under section 295.52; and~~

~~(4) (2) entering into a contract or arrangement that is prohibited under sections 62J.70 to 62J.73.~~

Sec. 7. [256L.021] [USE OF TOBACCO SETTLEMENT PROCEEDS.]

(a) The commissioner of finance for fiscal years 2000 and 2001 shall deposit the annual payments due under the terms of the tobacco settlement into the health care access fund established under section 16A.724.

(b) If the commissioner of finance determines that there will be a sufficient surplus to permit the tobacco settlement annual payments to be deposited in the health care access fund under section 16A.152, subdivision 2a, for fiscal years 2002 and 2003, the commissioner of finance shall deposit all tobacco settlement annual payments in the health care access fund.

(c) For purposes of this section, "tobacco settlement" means the consent judgment entered in the case of State of Minnesota v. Philip Morris Inc. et al. in Minnesota district court for the second judicial district, Ramsey county (court file number C1-94-8565).

Sec. 8. [256L.022] [MINNESOTACARE PROGRAM FINANCIAL MANAGEMENT.]

Subdivision 1. [FORECASTING FUNDS.] The MinnesotaCare program is not an entitlement. The commissioner of human services shall not expend more funds than the appropriations made available by the legislature. Appropriations made available must include the state-appropriated funds and federal funds specified for this purpose and other available funds transferred from other accounts as allowed by Minnesota law. Regardless of this limitation on expenditures, the total projected costs of this program must be forecasted and recognized in the fund balance.

Subd. 2. [DETERMINATION BY COMMISSIONER.] As part of each state revenue and expenditure forecast, the commissioner shall make an assessment of expected MinnesotaCare program expenditures for the remainder of the current biennium and for the following biennium. If the commissioner determines that projected MinnesotaCare expenditures during a biennium will exceed the total of: (1) the funds projected to be available in the health care access fund; and (2) projected annual payments from the tobacco settlement required to be deposited in the health care access fund under section 256L.021 for that biennium, the commissioner of human services and the commissioner of finance shall implement subdivision 1, effective on the first day of the biennium for which the commissioner of human services makes the determination.

Subd. 3. [CONTINGENT APPLICABILITY.] This section is effective only if the commissioner of human services makes a determination under subdivision 2 that projected

MinnesotaCare program expenditures will exceed available funding during a biennium. If the commissioner makes this determination, this section is effective on the first day of the biennium for which the commissioner makes the determination.

Sec. 9. Minnesota Statutes 1998, section 270B.01, subdivision 8, is amended to read:

Subd. 8. [MINNESOTA TAX LAWS.] For purposes of this chapter only, unless expressly stated otherwise, "Minnesota tax laws" means the taxes, refunds, and fees administered by or paid to the commissioner under chapters 115B (except taxes imposed under sections 115B.21 to 115B.24), 289A (except taxes imposed under sections 298.01, 298.015, and 298.24), 290, 290A, 291, 297A, and 297H and ~~sections 295.50 to 295.59~~, or any similar Indian tribal tax administered by the commissioner pursuant to any tax agreement between the state and the Indian tribal government, and includes any laws for the assessment, collection, and enforcement of those taxes, refunds, and fees.

Sec. 10. Minnesota Statutes 1998, section 270B.14, subdivision 1, is amended to read:

Subdivision 1. [DISCLOSURE TO COMMISSIONER OF HUMAN SERVICES.] (a) On the request of the commissioner of human services, the commissioner shall disclose return information regarding taxes imposed by chapter 290, and claims for refunds under chapter 290A, to the extent provided in paragraph (b) and for the purposes set forth in paragraph (c).

(b) Data that may be disclosed are limited to data relating to the identity, whereabouts, employment, income, and property of a person owing or alleged to be owing an obligation of child support.

(c) The commissioner of human services may request data only for the purposes of carrying out the child support enforcement program and to assist in the location of parents who have, or appear to have, deserted their children. Data received may be used only as set forth in section 256.978.

(d) The commissioner shall provide the records and information necessary to administer the supplemental housing allowance to the commissioner of human services.

(e) At the request of the commissioner of human services, the commissioner of revenue shall electronically match the social security numbers and names of participants in the telephone assistance plan operated under sections 237.69 to 237.711, with those of property tax refund filers, and determine whether each participant's household income is within the eligibility standards for the telephone assistance plan.

(f) The commissioner may provide records and information collected under Minnesota Statutes 1998, sections 295.50 to 295.59, to the commissioner of human services for purposes of the Medicaid Voluntary Contribution and Provider-Specific Tax Amendments of 1991, Public Law Number 102-234. Upon the written agreement by the United States Department of Health and Human Services to maintain the confidentiality of the data, the commissioner may provide records and information collected under Minnesota Statutes 1998, sections 295.50 to 295.59, to the Health Care Financing Administration section of the United States Department of Health and Human Services for purposes of meeting federal reporting requirements.

(g) The commissioner may provide records and information to the commissioner of human services as necessary to administer the early refund of refundable tax credits.

(h) The commissioner may disclose information to the commissioner of human services necessary to verify income for eligibility and premium payment under the MinnesotaCare program, under section 256L.05, subdivision 2.

Sec. 11. Minnesota Statutes 1998, section 295.50, subdivision 4, is amended to read:

Subd. 4. [HEALTH CARE PROVIDER.] (a) "Health care provider" means:

(1) a person whose health care occupation is regulated or required to be regulated by the state of Minnesota furnishing any or all of the following goods or services directly to a patient or

consumer: medical, surgical, optical, visual, dental, hearing, nursing services, drugs, laboratory, diagnostic or therapeutic services;

(2) a person who provides goods and services not listed in clause (1) that qualify for reimbursement under the medical assistance program provided under chapter 256B;

(3) a staff model health plan company;

(4) an ambulance service required to be licensed; or

(5) a person who sells or repairs hearing aids and related equipment or prescription eyewear.

(b) Health care provider does not include: (1) hospitals; medical supplies distributors, except as specified under paragraph (a), clause (5); nursing homes licensed under chapter 144A or licensed in any other jurisdiction; pharmacies; surgical centers; bus and taxicab transportation, or any other providers of transportation services other than ambulance services required to be licensed; supervised living facilities for persons with mental retardation or related conditions, licensed under Minnesota Rules, parts 4665.0100 to 4665.9900; residential care homes licensed under chapter 144B; board and lodging establishments providing only custodial services that are licensed under chapter 157 and registered under section 157.17 to provide supportive services or health supervision services; adult foster homes as defined in Minnesota Rules, part 9555.5105; day training and habilitation services for adults with mental retardation and related conditions as defined in section 252.41, subdivision 3; and boarding care homes, as defined in Minnesota Rules, part 4655.0100.;

~~(c) For purposes of this subdivision, "directly to a patient or consumer" includes goods and services provided in connection with independent medical examinations under section 65B.56 or other examinations for purposes of litigation or insurance claims.~~

(2) home health agencies as defined in Minnesota Rules, part 9505.0175, subpart 15; a person providing personal care services and supervision of personal care services as defined in Minnesota Rules, part 9505.0335; a person providing private duty nursing services as defined in Minnesota Rules, part 9505.0360; and home care providers required to be licensed under chapter 144A;

(3) a person who employs health care providers solely for the purpose of providing patient services to its employees; and

(4) an educational institution that employs health care providers solely for the purpose of providing patient services to its students if the institution does not receive fee for service payments or payments for extended coverage.

Sec. 12. Minnesota Statutes 1998, section 295.52, subdivision 7, is amended to read:

Subd. 7. [TAX REDUCTION.] (a) Notwithstanding subdivisions 1, 1a, 2, 3, and 4, the tax imposed under this section equals for calendar years year:

~~(1) 1998 and, 1999 shall be equal to, and 2000, 1.5 percent of the gross revenues received on or after January 1, 1998, and before January 1, 2000. The commissioner shall extend the reduced tax rate of 1.5 percent for gross revenues received on or after January 1, 2000, and before January 1, 2002, if the commissioner of finance determines that the health care access fund structural balance projected for fiscal year 2001 will remain positive, prior to any increase of the one percent premium tax under section 60A.15, subdivision 1, paragraph (h), and prior to any tax expenditures related to the increase in the maximum tax credit for research expenses under section 295.53, subdivision 4a, as amended by Laws 1997, chapter 225 2001;~~

(2) 2001, 0.5 percent of the gross revenues received on or after January 1, 2001, and before January 1, 2002; and

(3) 2002 and later for gross revenues received on or after January 1, 2002, zero.

(b) The rates under paragraph (a) must be reduced as provided in section 16A.152, subdivision

2a, if the commissioner of finance determines that \$50,000,000 or more of additional annual tobacco settlement monies will be deposited in the health care access fund in the 2002-2003 biennium.

Sec. 13. Minnesota Statutes 1998, section 295.53, subdivision 1, is amended to read:

Subdivision 1. [EXEMPTIONS.] (a) The following payments are excluded from the gross revenues subject to the hospital, surgical center, or health care provider taxes under sections 295.50 to 295.57:

(1) payments received for services provided under the Medicare program, including payments received from the government, and organizations governed by sections 1833 and 1876 of title XVIII of the federal Social Security Act, United States Code, title 42, section 1395, and enrollee deductibles, coinsurance, and copayments, whether paid by the Medicare enrollee or by a Medicare supplemental coverage as defined in section 62A.011, subdivision 3, clause (10). Payments for services not covered by Medicare are taxable;

(2) medical assistance payments including payments received directly from the government or from a prepaid plan;

(3) payments received for home health care services;

(4) payments received from hospitals or surgical centers for goods and services on which liability for tax is imposed under section 295.52 or the source of funds for the payment is exempt under clause (1), (2), (7), (8), ~~or (10)~~, or (13);

(5) payments received from health care providers for goods and services on which liability for tax is imposed under this chapter or the source of funds for the payment is exempt under clause (1), (2), (7), (8), ~~or (10)~~, or (13);

(6) amounts paid for legend drugs, other than nutritional products, to a wholesale drug distributor who is subject to tax under section 295.52, subdivision 3, reduced by reimbursements received for legend drugs under clauses (1), (2), (7), and (8);

(7) payments received under the general assistance medical care program including payments received directly from the government or from a prepaid plan;

(8) payments received for providing services under the MinnesotaCare program including payments received directly from the government or from a prepaid plan and enrollee deductibles, coinsurance, and copayments. For purposes of this clause, coinsurance means the portion of payment that the enrollee is required to pay for the covered service;

(9) payments received by a health care provider or the wholly owned subsidiary of a health care provider for care provided outside Minnesota ~~to a patient who is not domiciled in Minnesota~~;

(10) payments received from the chemical dependency fund under chapter 254B;

(11) payments received in the nature of charitable donations that are not designated for providing patient services to a specific individual or group;

(12) payments received for providing patient services incurred through a formal program of health care research conducted in conformity with federal regulations governing research on human subjects. Payments received from patients or from other persons paying on behalf of the patients are subject to tax;

(13) payments received from any governmental agency for services benefiting the public, not including payments made by the government in its capacity as an employer or insurer;

(14) payments received for services provided by community residential mental health facilities licensed under Minnesota Rules, parts 9520.0500 to 9520.0690, community support programs and family community support programs approved under Minnesota Rules, parts 9535.1700 to 9535.1760, and community mental health centers as defined in section 245.62, subdivision 2;

(15) government payments received by a regional treatment center;

(16) payments received for hospice care services;

(17) payments received by a health care provider for hearing aids and related equipment or prescription eyewear delivered outside of Minnesota;

(18) payments received by a ~~post-secondary~~ an educational institution from student tuition, student activity fees, health care service fees, government appropriations, donations, or grants. Fee for service payments and payments for extended coverage are taxable; ~~and~~

(19) payments received for services provided by: assisted living programs and congregate housing programs;

(20) payments received from nursing homes licensed under chapter 144A for services provided to a nursing home; and

(21) payments received for examinations for purposes of utilization reviews, insurance claims or eligibility, litigation, and employment, including reviews of medical records for those purposes.

(b) Payments received by wholesale drug distributors for legend drugs sold directly to veterinarians or veterinary bulk purchasing organizations are excluded from the gross revenues subject to the wholesale drug distributor tax under sections 295.50 to 295.59.

Sec. 14. Minnesota Statutes 1998, section 295.55, subdivision 2, is amended to read:

Subd. 2. [ESTIMATED TAX; HOSPITALS; SURGICAL CENTERS.] (a) Each hospital or surgical center must make estimated payments of the taxes for the calendar year in monthly installments to the commissioner within 15 days after the end of the month.

(b) Estimated tax payments are not required of hospitals or surgical centers if: (1) the tax for the current calendar year is less than \$500; or (2) the tax for the previous calendar year is less than \$500, if the taxpayer had a tax liability and was doing business the entire year; or (3) if a hospital has been allowed a grant under section 144.1484, subdivision 2, for the year.

(c) Underpayment of estimated installments bear interest at the rate specified in section 270.75, from the due date of the payment until paid or until the due date of the annual return ~~at the rate specified in section 270.75~~ whichever comes first. An underpayment of an estimated installment is the difference between the amount paid and the lesser of (1) 90 percent of one-twelfth of the tax for the calendar year or (2) one-twelfth of the total tax for the actual gross revenues received during the month ~~previous calendar year if the taxpayer had a tax liability and was doing business the entire year.~~

Sec. 15. Minnesota Statutes 1998, section 295.55, subdivision 3, is amended to read:

Subd. 3. [ESTIMATED TAX; OTHER TAXPAYERS.] (a) Each taxpayer, other than a hospital or surgical center, must make estimated payments of the taxes for the calendar year in quarterly installments to the commissioner by April 15, July 15, October 15, and January 15 of the following calendar year.

(b) Estimated tax payments are not required if: (1) the tax for the current calendar year is less than \$500; or (2) the tax for the previous calendar year is less than \$500, if the taxpayer had a tax liability and was doing business the entire year.

(c) Underpayment of estimated installments bear interest at the rate specified in section 270.75, from the due date of the payment until paid or until the due date of the annual return ~~at the rate specified in section 270.75~~ whichever comes first. An underpayment of an estimated installment is the difference between the amount paid and the lesser of (1) 90 percent of one-quarter of the tax for the calendar year or (2) one-quarter of the total tax for the actual gross revenues received during the quarter ~~previous calendar year if the taxpayer had a tax liability and was doing business the entire year.~~

Sec. 16. [REPEALER.]

(a) Minnesota Statutes 1998, sections 13.99, subdivision 86b; 144.1484, subdivision 2; 295.50; 295.51; 295.52; 295.53; 295.54; 295.55; 295.56; 295.57; 295.58; 295.582; and 295.59, are repealed effective January 1, 2002.

(b) Minnesota Statutes 1998, sections 16A.76; and 256L.02, subdivision 3, are repealed effective January 1, 2000.

Sec. 17. [CONTINGENT REPEALER; HEALTH CARE ACCESS FUND.]

Subdivision 1. [REPEALER.] Minnesota Statutes 1998, section 16A.724, is repealed, effective as provided under subdivision 3.

Subd. 2. [TRANSFER TO GENERAL FUND.] Upon repeal of the health care access fund under subdivision 1, the commissioner of finance shall transfer any funds in the health care access fund to the general fund and the health care access fund is combined with and becomes part of the general fund.

Subd. 3. [CONTINGENT EFFECTIVE DATE.] This section is effective only if the commissioner of human services makes a determination under Minnesota Statutes, section 256L.022, that projected MinnesotaCare program expenditures will exceed available funding during a biennium. If the commissioner makes this determination, this section is effective on the first day of the biennium for which the commissioner makes the determination.

Sec. 18. [EFFECTIVE DATE.]

Sections 2, 3, 5, 6, 9, and 10 are effective January 1, 2002.

Section 4 is effective January 1, 2000, and applies to premium rates for health plans issued or renewed on or after that date.

The provisions of section 11, striking clause (c), and section 13, clause (21), are effective for services provided after December 31, 1998. The rest of section 11, the rest of section 13 and sections 14 and 15 are effective for payments received on or after January 1, 2000.

Section 16, paragraph (a), is effective January 1, 2002, and applies to tax years beginning on or after that date.

ARTICLE 6  
PROPERTY TAXES

Section 1. Minnesota Statutes 1998, section 16A.1521, is amended to read:

16A.1521 [PROPERTY TAX REFORM ACCOUNT.]

Subdivision 1. [ESTABLISHMENT; USES OF FUNDS.] (a) A property tax reform account is established in the general fund.

(b) Amounts in the account are available for and may only be spent to reform the property tax system by:

(1) reducing the class rates to the target rates specified in ~~section 273.13~~, subdivision ~~32~~ 2, or to further reduce the ratio of the highest class rate to the lowest class rate;

(2) increasing state education aids to reduce property taxes;

(3) increasing the state share of education funding to 70 percent;

(4) increasing the education homestead credit; or

(5) increasing the property tax refund.

As provided by section 273.13, subdivision 32, the governor shall recommend to the legislature uses The primary use of money in the account is to compress class rate ratios, while mitigating the shifting of relative property tax burdens from one class to another through the mechanisms listed in clauses (2) through (5).

(c) The balance in the account does not cancel and remains in the account until appropriated for property tax reform. Investment earnings on the account are credited to the account.

Subd. 2. [TARGET CLASS RATES.] The following class rates are established as state property tax policy goals:

- (1) three percent for the upper tier of commercial-industrial property;
- (2) two percent for apartment property; and
- (3) 1.5 percent for the upper tier of other residential property.

Sec. 2. Minnesota Statutes 1998, section 271.01, subdivision 5, is amended to read:

Subd. 5. [JURISDICTION.] The tax court shall have statewide jurisdiction. Except for an appeal to the supreme court or any other appeal allowed under this subdivision, the tax court shall be the sole, exclusive, and final authority for the hearing and determination of all questions of law and fact arising under the tax laws of the state, as defined in this subdivision, in those cases that have been appealed to the tax court and in any case that has been transferred by the district court to the tax court. The tax court shall have no jurisdiction in any case that does not arise under the tax laws of the state or in any criminal case or in any case determining or granting title to real property or in any case that is under the probate jurisdiction of the district court. The small claims division of the tax court shall have no jurisdiction in any case dealing with property valuation or assessment for property tax purposes until the taxpayer has appealed the valuation or assessment to the county board of equalization, and in those towns and cities which have not transferred their duties to the county, the town or city board of equalization, except for: (i) those taxpayers whose original assessments are determined by the commissioner of revenue; and (ii) those taxpayers appealing a denial of a current year application for the homestead classification for their property and the denial was not reflected on a valuation notice issued in the year. The tax court shall have no jurisdiction in any case involving an order of the state board of equalization unless a taxpayer contests the valuation of property. Laws governing taxes, aids, and related matters administered by the commissioner of revenue, laws dealing with property valuation, assessment or taxation of property for property tax purposes, and any other laws that contain provisions authorizing review of taxes, aids, and related matters by the tax court shall be considered tax laws of this state subject to the jurisdiction of the tax court. This subdivision shall not be construed to prevent an appeal, as provided by law, to an administrative agency, board of equalization, review under section 274.13, subdivision 1c, or to the commissioner of revenue. Wherever used in this chapter, the term commissioner shall mean the commissioner of revenue, unless otherwise specified.

Sec. 3. Minnesota Statutes 1998, section 271.21, subdivision 2, is amended to read:

Subd. 2. [JURISDICTION.] At the election of the taxpayer, the small claims division shall have jurisdiction only in the following matters:

(a) ~~in~~ cases involving valuation, assessment, or taxation of real or personal property, if the taxpayer has satisfied the requirements of section 271.01, subdivision 5, and: (i) the issue is a denial of a current year application for the homestead classification for the taxpayer's property and the denial was not reflected on a valuation notice issued in the year; or (ii) in the case of nonhomestead property, the assessor's estimated market value is less than \$100,000; or

(b) any other case concerning the tax laws as defined in section 271.01, subdivision 5, in which the amount in controversy does not exceed \$5,000, including penalty and interest.

Sec. 4. Minnesota Statutes 1998, section 272.02, subdivision 1, is amended to read:

Subdivision 1. [EXEMPT PROPERTY DESCRIBED.] 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 (e), 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 item (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. This exemption expires after taxes payable in 2005.

(31) Notwithstanding any other law to the contrary, real property that meets the following criteria is exempt:

(i) constitutes a wastewater treatment system (a) constructed by a municipality using public funds, (b) operates under a State Disposal System Permit issued by the Minnesota pollution control agency pursuant to chapters 115 and 116 and Minnesota Rules, chapter 7001, and (c) applies its effluent to land used as part of an agricultural operation;

(ii) is located within a municipality of a population of less than 10,000;

(iii) is used for treatment of effluent from a private potato processing facility; and

(iv) is owned by a municipality and operated by a private entity under agreement with that municipality.

(32) Notwithstanding clause (8), item (a), attached machinery and other personal property which is part of a simple-cycle combustion-turbine electric generation facility that exceeds 250 megawatts of installed capacity and that meets the requirements of this clause. At the time of construction, the facility must:

(i) not be owned by a public utility as defined in section 216B.02, subdivision 4;

(ii) utilize natural gas as a primary fuel;

(iii) be located within 20 miles of the intersection of an existing 42-inch (outside diameter) natural gas pipeline and a 345-kilovolt high-voltage electric transmission line; and

(iv) be designed to provide peaking, emergency backup, or contingency services, and have received a certificate of need pursuant to section 216B.243 demonstrating demand for its capacity.

Construction of the facility must be commenced after July 1, 1999, and before July 1, 2003. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

Sec. 5. Minnesota Statutes 1998, section 272.027, is amended to read:

272.027 [PERSONAL PROPERTY USED TO GENERATE ELECTRICITY FOR PRODUCTION AND RESALE.]

Subdivision 1. [ELECTRICITY GENERATED TO PRODUCE GOODS AND SERVICES.] Personal property used to generate electric power is exempt from property taxation if the electric power is used to manufacture or produce goods, products, or services, other than electric power, by the owner of the electric generation plant. Except as provided in subdivisions 2 and 3, the exemption does not apply to property used to produce electric power for sale to others and does not apply to real property. In determining the value subject to tax, a proportionate share of the value of the generating facilities, equal to the proportion that the power sold to others bears to the total generation of the plant, is subject to the general property tax in the same manner as other property. Power generated in such a plant and exchanged for an equivalent amount of power that is used for the manufacture or production of goods, products, or services other than electric power by the owner of the generating plant is considered to be used by the owner of the plant.

Subd. 2. [EXEMPTION FOR CUSTOMER OWNED PROPERTY TRANSFERRED TO A UTILITY.] (a) Tools, implements, and machinery of an electric generating facility are exempt if all the following requirements are met:

(1) the electric generating facilities were operational and met the requirements for exemption of personal property under subdivision 1 on January 2, 1999; and

(2) the generating facility is sold to a Minnesota electric utility.

(b) Any tools, implements, and machinery installed to increase generation capacity are also exempt under this section provided that the existing tools, implements, and machinery are exempt under paragraph (a).

Subd. 3. [EXEMPTION ELECTRIC POWER PLANT PERSONAL PROPERTY; TACONITE AND STEEL MILL.]

Tools, implements, and machinery of an electric generating facility are exempt if all the following requirements are met:

(1) the electric generating facility, when completed, will have a capacity of at least 450 megawatts;

(2) the electric generating facility is adjacent to a taconite mine direct-reduction steel mill; and

(3) the electric generating facility supplied over 60 percent of its electricity generated in the prior year to the adjacent direct-reduction plant and steel mill.

Sec. 6. Minnesota Statutes 1998, section 272.03, subdivision 6, is amended to read:

Subd. 6. [TRACT, LOT, PARCEL, AND PIECE OR PARCEL.] (a) "Tract," "lot," "parcel," and "piece or parcel" of land means any contiguous quantity of land in the possession of, owned by, or recorded as the property of, the same claimant or person.

(b) Notwithstanding paragraph (a), property that is owned by a utility, leased for residential or recreational uses for terms of 20 years or longer, and separately valued by the assessor, will be treated for property tax purposes as separate parcels.

Sec. 7. Minnesota Statutes 1998, section 273.11, subdivision 1a, is amended to read:

Subd. 1a. [LIMITED MARKET VALUE.] In the case of all property classified as agricultural homestead or nonhomestead, residential homestead or nonhomestead, or noncommercial seasonal

recreational residential, the assessor shall compare the value with that determined in the preceding assessment. The amount of the increase entered in the current assessment shall not exceed the greater of (1) ~~ten~~ seven percent of the value in the preceding assessment, or (2) ~~one-fourth~~ 15 percent of the difference between the current assessment and the preceding assessment. This limitation shall not apply to increases in value due to improvements. For purposes of this subdivision, the term "assessment" means the value prior to any exclusion under subdivision 16.

The provisions of this subdivision shall be in effect only for assessment years 1993 through 2001.

For purposes of the assessment/sales ratio study conducted under section 127A.48, and the computation of state aids paid under chapters 122A, 123A, 123B, 124D, 125A, 126C, 127A, and 477A, market values and net tax capacities determined under this subdivision and subdivision 16, shall be used.

Sec. 8. Minnesota Statutes 1998, section 273.11, subdivision 16, is amended to read:

Subd. 16. [VALUATION EXCLUSION FOR CERTAIN IMPROVEMENTS.] Improvements to homestead property made before January 2, 2003, shall be fully or partially excluded from the value of the property for assessment purposes provided that (1) the house is at least ~~35~~ 45 years old at the time of the improvement and (2) either

(a) the assessor's estimated market value of the house on January 2 of the current year is equal to or less than ~~\$150,000, or~~ \$300,000.

(b) ~~if the estimated market value of the house is over \$150,000 market value but is less than \$300,000 on January 2 of the current year, the property qualifies if~~

(i) ~~it is located in a city or town in which 50 percent or more of the owner-occupied housing units were constructed before 1960 based upon the 1990 federal census, and~~

(ii) ~~the city or town's median family income based upon the 1990 federal census is less than the statewide median family income based upon the 1990 federal census, or~~

(c) ~~if the estimated market value of the house is \$300,000 or more on January 2 of the current year, the property qualifies if~~

(i) ~~it is located in a city or town in which 45 percent or more of the homes were constructed before 1940 based upon the 1990 federal census, and~~

(ii) ~~it is located in a city or town in which 45 percent or more of the housing units were rental based upon the 1990 federal census, and~~

(iii) ~~the city or town's median value of owner-occupied housing units based upon the 1990 federal census is less than the statewide median value of owner-occupied housing units based upon the 1990 federal census.~~

For purposes of determining this eligibility, "house" means land and buildings.

The age of a residence is the number of years since the original year of its construction. In the case of a residence that is relocated, the relocation must be from a location within the state and the only improvements eligible for exclusion under this subdivision are (1) those for which building permits were issued to the homeowner after the residence was relocated to its present site, and (2) those undertaken during or after the year the residence is initially occupied by the homeowner, excluding any market value increase relating to basic improvements that are necessary to install the residence on its foundation and connect it to utilities at its present site. In the case of an owner-occupied duplex or triplex, the improvement is eligible regardless of which portion of the property was improved.

If the property lies in a jurisdiction which is subject to a building permit process, a building permit must have been issued prior to commencement of the improvement. ~~Any improvement~~ The

improvements for a single project or in any one year must add at least ~~\$1,000~~ \$5,000 to the value of the property to be eligible for exclusion under this subdivision. Only improvements to the structure which is the residence of the qualifying homesteader or construction of or improvements to no more than one two-car garage per residence qualify for the provisions of this subdivision. If an improvement was begun between January 2, 1992, and January 2, 1993, any value added from that improvement for the January 1994 and subsequent assessments shall qualify for exclusion under this subdivision provided that a building permit was obtained for the improvement between January 2, 1992, and January 2, 1993. Whenever a building permit is issued for property currently classified as homestead, the issuing jurisdiction shall notify the property owner of the possibility of valuation exclusion under this subdivision. The assessor shall require an application, including documentation of the age of the house from the owner, if unknown by the assessor. The application may be filed subsequent to the date of the building permit provided that the application must be filed within three years of the date the building permit was issued for the improvement. If the property lies in a jurisdiction which is not subject to a building permit process, the application must be filed within three years of the date the improvement was made. The assessor may require proof from the taxpayer of the date the improvement was made. Applications must be received prior to July 1 of any year in order to be effective for taxes payable in the following year.

No exclusion for an improvement may be granted ~~for an improvement~~ by a local board of review or county board of equalization, and no abatement of the taxes for qualifying improvements may be granted by the county board unless (1) a building permit was issued prior to the commencement of the improvement if the jurisdiction requires a building permit, and (2) an application was completed.

The assessor shall note the qualifying value of each improvement on the property's record, and the sum of those amounts shall be subtracted from the value of the property in each year for ten years after the improvement has been made, ~~at which time an amount equal to 20 percent of the qualifying value shall be added back in each of the five subsequent assessment years.~~ After ten years the amount of the qualifying value shall be added back as follows:

(1) 50 percent in the two subsequent assessment years if the qualifying value is equal to or less than \$10,000 market value; or

(2) 20 percent in the five subsequent assessment years if the qualifying value is greater than \$10,000 market value.

If an application is filed after the first assessment date at which an improvement could have been subject to the valuation exclusion under this subdivision, the ten-year period during which the value is subject to exclusion is reduced by the number of years that have elapsed since the property would have qualified initially. The valuation exclusion shall terminate whenever (1) the property is sold, or (2) the property is reclassified to a class which does not qualify for treatment under this subdivision. Improvements made by an occupant who is the purchaser of the property under a conditional purchase contract do not qualify under this subdivision unless the seller of the property is a governmental entity. The qualifying value of the property shall be computed based upon the increase from that structure's market value as of January 2 preceding the acquisition of the property by the governmental entity.

The total qualifying value for a homestead may not exceed \$50,000. The total qualifying value for a homestead with a house that is less than 70 years old may not exceed \$25,000. The term "qualifying value" means the increase in estimated market value resulting from the improvement if the improvement occurs when the house is at least 70 years old, or one-half of the increase in estimated market value resulting from the improvement otherwise. The \$25,000 and \$50,000 maximum qualifying value under this subdivision may result from ~~up to three separate multiple improvements to the homestead. The application shall state, in clear language, that if more than three improvements are made to the qualifying property, a taxpayer may choose which three improvements are eligible, provided that after the taxpayer has made the choice and any valuation attributable to those improvements has been excluded from taxation, no further changes can be made by the taxpayer.~~

If 50 percent or more of the square footage of a structure is voluntarily razed or removed, the valuation increase attributable to any subsequent improvements to the remaining structure does not qualify for the exclusion under this subdivision. If a structure is unintentionally or accidentally destroyed by a natural disaster, the property is eligible for an exclusion under this subdivision provided that the structure was not completely destroyed. The qualifying value on property destroyed by a natural disaster shall be computed based upon the increase from that structure's market value as determined on January 2 of the year in which the disaster occurred. A property receiving benefits under the homestead disaster provisions under section 273.123 is not disqualified from receiving an exclusion under this subdivision. If any combination of improvements made to a structure after January 1, 1993, increases the size of the structure by 100 percent or more, the valuation increase attributable to the portion of the improvement that causes the structure's size to exceed 100 percent does not qualify for exclusion under this subdivision.

Sec. 9. Minnesota Statutes 1998, section 273.111, is amended by adding a subdivision to read:

Subd. 15. [DISSECTED PARCELS; CONTINUED DEFERMENT.] Real estate consisting of more than ten, but less than 15, acres which has:

- (1) been owned by the applicant or the applicant's parents for at least 70 years;
- (2) been dissected by two or more major parkways or interstate highways; and
- (3) qualified for the agricultural valuation and tax deferral under this section through assessment year 1996, taxes payable in 1997, shall continue to qualify for treatment under this section until the applicant's death or transfer or sale by the applicant of the applicant's interest in the real estate.

Sec. 10. Minnesota Statutes 1998, section 273.124, subdivision 1, is amended to read:

Subdivision 1. [GENERAL RULE.] (a) Residential real estate that is occupied and used for the purposes of a homestead by its owner, who must be a Minnesota resident, is a residential homestead.

Agricultural land, as defined in section 273.13, subdivision 23, that is occupied and used as a homestead by its owner, who must be a Minnesota resident, is an agricultural homestead.

Dates for establishment of a homestead and homestead treatment provided to particular types of property are as provided in this section.

Property of a trustee, beneficiary, or grantor of a trust is not disqualified from receiving homestead benefits if the homestead requirements under this chapter are satisfied.

The assessor shall require proof, as provided in subdivision 13, of the facts upon which classification as a homestead may be determined. Notwithstanding any other law, the assessor may at any time require a homestead application to be filed in order to verify that any property classified as a homestead continues to be eligible for homestead status. Notwithstanding any other law to the contrary, the department of revenue may, upon request from an assessor, verify whether an individual who is requesting or receiving homestead classification has filed a Minnesota income tax return as a resident for the most recent taxable year for which the information is available.

When there is a name change or a transfer of homestead property, the assessor may reclassify the property in the next assessment unless a homestead application is filed to verify that the property continues to qualify for homestead classification.

(b) For purposes of this section, homestead property shall include property which is used for purposes of the homestead but is separated from the homestead by a road, street, lot, waterway, or other similar intervening property. The term "used for purposes of the homestead" shall include but not be limited to uses for gardens, garages, or other outbuildings commonly associated with a homestead, but shall not include vacant land held primarily for future development. In order to receive homestead treatment for the noncontiguous property, the owner must use the property for



the purposes of the homestead, and must apply to the assessor, both by the deadlines given in subdivision 9. After initial qualification for the homestead treatment, additional applications for subsequent years are not required.

(c) Residential real estate that is occupied and used for purposes of a homestead by a relative of the owner is a homestead but only to the extent of the homestead treatment that would be provided if the related owner occupied the property. For purposes of this paragraph and paragraph (g), "relative" means a parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, or aunt. This relationship may be by blood or marriage. 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 will not be reclassified as a homestead unless it is occupied as a homestead by the owner; this prohibition also applies to property that, in the absence of this paragraph, would have been classified as seasonal recreational residential property at the time when the residence was constructed. Neither the related occupant nor the owner of the property may claim a property tax refund under chapter 290A for a homestead occupied by a relative. In the case of a residence located on agricultural land, only the house, garage, and immediately surrounding one acre of land shall be classified as a homestead under this paragraph, except as provided in paragraph (d).

(d) Agricultural property that is occupied and used for purposes of a homestead by a relative of the owner, is a homestead, only to the extent of the homestead treatment that would be provided if the related owner occupied the property, and only if all of the following criteria are met:

(1) the relative who is occupying the agricultural property is a son, daughter, father, or mother of the owner of the agricultural property or a son or daughter of the spouse of the owner of the agricultural property,

(2) notwithstanding the residency requirement in paragraph (a), the owner of the agricultural property must need not be a Minnesota resident,

(3) the relative occupying the agricultural property is actively farming the property and is a Minnesota resident,

(4) the owner of the agricultural property must not receive homestead treatment on any other agricultural property in Minnesota, and

(4) (5) the owner of the agricultural property is limited to only one agricultural homestead per family under this paragraph.

Neither the related occupant nor the owner of the property may claim a property tax refund under chapter 290A for a homestead occupied by a relative qualifying under this paragraph. For purposes of this paragraph, "agricultural property" means the house, garage, other farm buildings and structures, and agricultural land.

Application must be made to the assessor by the owner of the agricultural property to receive homestead benefits under this paragraph. The assessor may require the necessary proof that the requirements under this paragraph have been met.

(e) In the case of property owned by a property owner who is married, the assessor must not deny homestead treatment in whole or in part if only one of the spouses occupies the property and the other spouse is absent due to: (1) marriage dissolution proceedings, (2) legal separation, (3) employment or self-employment in another location, or (4) other personal circumstances causing the spouses to live separately, not including an intent to obtain two homestead classifications for property tax purposes. To qualify under clause (3), the spouse's place of employment or self-employment must be at least 50 miles distant from the other spouse's place of employment, and the homesteads must be at least 50 miles distant from each other. Homestead treatment, in whole or in part, shall not be denied to the owner's spouse who previously occupied the residence with the owner if the absence of the owner is due to one of the exceptions provided in this paragraph.

(f) The assessor must not deny homestead treatment in whole or in part if:

(1) in the case of a property owner who is not married, the owner is absent due to residence in a nursing home or boarding care facility and the property is not otherwise occupied; or

(2) in the case of a property owner who is married, the owner or the owner's spouse or both are absent due to residence in a nursing home or boarding care facility and the property is not occupied or is occupied only by the owner's spouse.

(g) If an individual is purchasing property with the intent of claiming it as a homestead and is required by the terms of the financing agreement to have a relative shown on the deed as a coowner, the assessor shall allow a full homestead classification. This provision only applies to first-time purchasers, whether married or single, or to a person who had previously been married and is purchasing as a single individual for the first time. The application for homestead benefits must be on a form prescribed by the commissioner and must contain the data necessary for the assessor to determine if full homestead benefits are warranted.

(h) If residential or agricultural real estate is occupied and used for purposes of a homestead by a child of a deceased owner and the property is subject to jurisdiction of probate court, the child shall receive relative homestead classification under paragraph (c) or (d) to the same extent they would be entitled to it if the owner was still living, until the probate is completed. For purposes of this paragraph, "child" includes a relationship by blood or by marriage.

Sec. 11. Minnesota Statutes 1998, section 273.124, subdivision 7, is amended to read:

Subd. 7. [LEASED BUILDINGS OR LAND.] For purposes of class 1 determinations, homesteads include:

(a) buildings and appurtenances owned and used by the occupant as a permanent residence which are located upon land the title to which is vested in a person or entity other than the occupant;

(b) all buildings and appurtenances located upon land owned by the occupant and used for the purposes of a homestead together with the land upon which they are located, if all of the following criteria are met:

(1) the occupant is using the property as a permanent residence;

(2) the occupant is paying the property taxes and any special assessments levied against the property;

(3) the occupant has signed a lease which has an option to purchase the buildings and appurtenances;

(4) the term of the lease is at least five years; and

(5) the occupant has made a down payment of at least \$5,000 in cash if the property was purchased by means of a contract for deed or subject to a mortgage.

(c) all buildings and appurtenances and the land upon which they are located that are used for purposes of a homestead, if all of the following criteria are met:

(1) the land is owned by a utility, which maintains ownership of the land in order to facilitate compliance with the terms of its hydroelectric project license from the federal energy regulatory commission;

(2) the land is leased for a term of 20 years or more;

(3) the occupant is using the property as a permanent residence; and

(4) the occupant is paying the property taxes and any special assessments levied against the property.

Any taxpayer meeting all the requirements of this paragraph must notify the county assessor, or

the assessor who has the powers of the county assessor pursuant to section 273.063, in writing, as soon as possible after signing the lease agreement and occupying the buildings as a homestead.

Sec. 12. Minnesota Statutes 1998, section 273.124, subdivision 8, is amended to read:

Subd. 8. [HOMESTEAD OWNED BY FAMILY FARM CORPORATION OR PARTNERSHIP OR LEASED TO FAMILY FARM CORPORATION.] (a) Each family farm corporation and each partnership operating a family farm is entitled to class 1b under section 273.13, subdivision 22, paragraph (b), or class 2a assessment for one homestead occupied by a shareholder or partner thereof who is residing on the land and actively engaged in farming of the land owned by the corporation or partnership. Homestead treatment applies even if legal title to the property is in the name of the corporation or partnership and not in the name of the person residing on it. "Family farm corporation" and "family farm" have the meanings given in section 500.24, except that the number of allowable shareholders or partners under this subdivision shall not exceed 12.

(b) In addition to property specified in paragraph (a), any other residences owned by corporations or partnerships described in paragraph (a) which are located on agricultural land and occupied as homesteads by shareholders or partners who are actively engaged in farming on behalf of the corporation or partnership must also be assessed as class 2a property or as class 1b property under section 273.13, subdivision 22, paragraph (b), but the property eligible is limited to the residence itself and as much of the land surrounding the homestead, not exceeding one acre, as is reasonably necessary for the use of the dwelling as a home, and does not include any other structures that may be located on it.

(c) Agricultural property owned by a shareholder of a family farm corporation, as defined in paragraph (a), and leased to the family farm corporation by the shareholder, is entitled to class 1b under section 273.13, subdivision 22, paragraph (b), or class 2a under section 273.13, subdivision 23, paragraph (a), if the owner is actually residing on the property and is actually engaged in farming the land on behalf of the corporation. This paragraph applies without regard to any legal possession rights of the family farm corporation under the lease.

Sec. 13. Minnesota Statutes 1998, section 273.124, subdivision 13, is amended to read:

Subd. 13. [HOMESTEAD APPLICATION.] (a) A person who meets the homestead requirements under subdivision 1 must file a homestead application with the county assessor to initially obtain homestead classification.

(b) On or before January 2, 1993, each county assessor shall mail a homestead application to the owner of each parcel of property within the county which was classified as homestead for the 1992 assessment year. The format and contents of a uniform homestead application shall be prescribed by the commissioner of revenue. The commissioner shall consult with the chairs of the house and senate tax committees on the contents of the homestead application form. The application must clearly inform the taxpayer that this application must be signed by all owners who occupy the property or by the qualifying relative and returned to the county assessor in order for the property to continue receiving homestead treatment. The envelope containing the homestead application shall clearly identify its contents and alert the taxpayer of its necessary immediate response.

(c) Every property owner applying for homestead classification must furnish to the county assessor the social security number of each occupant who is listed as an owner of the property on the deed of record, the name and address of each owner who does not occupy the property, and the name and social security number of each owner's spouse who occupies the property. The application must be signed by each owner who occupies the property and by each owner's spouse who occupies the property, or, in the case of property that qualifies as a homestead under subdivision 1, paragraph (c), by the qualifying relative.

If a property owner occupies a homestead, the property owner's spouse may not claim another property as a homestead unless the property owner and the property owner's spouse file with the assessor an affidavit or other proof required by the assessor stating that the property qualifies as a homestead under subdivision 1, paragraph (e).

Owners or spouses occupying residences owned by their spouses and previously occupied with the other spouse, either of whom fail to include the other spouse's name and social security number on the homestead application or provide the affidavits or other proof requested, will be deemed to have elected to receive only partial homestead treatment of their residence. The remainder of the residence will be classified as nonhomestead residential. When an owner or spouse's name and social security number appear on homestead applications for two separate residences and only one application is signed, the owner or spouse will be deemed to have elected to homestead the residence for which the application was signed.

The social security numbers or affidavits or other proofs of the property owners and spouses are private data on individuals as defined by section 13.02, subdivision 12, but, notwithstanding that section, the private data may be disclosed to the commissioner of revenue, or, for purposes of proceeding under the Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.

(d) If residential real estate is occupied and used for purposes of a homestead by a relative of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in order for the property to receive homestead status, a homestead application must be filed with the assessor. The social security number of each relative occupying the property and the social security number of each owner who is related to an occupant of the property shall be required on the homestead application filed under this subdivision. If a different relative of the owner subsequently occupies the property, the owner of the property must notify the assessor within 30 days of the change in occupancy. The social security number of a relative occupying the property is private data on individuals as defined by section 13.02, subdivision 12, but may be disclosed to the commissioner of revenue.

(e) The homestead application shall also notify the property owners that the application filed under this section will not be mailed annually and that if the property is granted homestead status for the 1993 assessment, or any assessment year thereafter, that same property shall remain classified as homestead until the property is sold or transferred to another person, or the owners, the spouse of the owner, or the relatives no longer use the property as their homestead. Upon the sale or transfer of the homestead property, a certificate of value must be timely filed with the county auditor as provided under section 272.115. Failure to notify the assessor within 30 days that the property has been sold, transferred, or that the owner, the spouse of the owner, or the relative is no longer occupying the property as a homestead, shall result in the penalty provided under this subdivision and the property will lose its current homestead status.

(f) If the homestead application is not returned within 30 days, the county will send a second application to the present owners of record. The notice of proposed property taxes prepared under section 275.065, subdivision 3, shall reflect the property's classification. Beginning with assessment year 1993 for all properties, if a homestead application has not been filed with the county by December 15, the assessor shall classify the property as nonhomestead for the current assessment year for taxes payable in the following year, provided that the owner may be entitled to receive the homestead classification by proper application under section 375.192.

(g) At the request of the commissioner, each county must give the commissioner a list that includes the name and social security number of each property owner and the property owner's spouse occupying the property, or relative of a property owner, applying for homestead classification under this subdivision. The commissioner shall use the information provided on the lists as appropriate under the law, including for the detection of improper claims by owners, or relatives of owners, under chapter 290A.

(h) If the commissioner finds that a property owner may be claiming a fraudulent homestead, the commissioner shall notify the appropriate counties. Within 90 days of the notification, the county assessor shall investigate to determine if the homestead classification was properly claimed. If the property owner does not qualify, the county assessor shall notify the county auditor who will determine the amount of homestead benefits that had been improperly allowed. For the purpose of this section, "homestead benefits" means the tax reduction resulting from the classification as a homestead under section 273.13, the taconite homestead credit under section 273.135, and the supplemental homestead credit under section 273.1391.

The county auditor shall send a notice to the person who owned the affected property at the time the homestead application related to the improper homestead was filed, demanding reimbursement of the homestead benefits plus a penalty equal to 100 percent of the homestead benefits. The person notified may appeal the county's determination by serving copies of a petition for review with county officials as provided in section 278.01 and filing proof of service as provided in section 278.01 with the Minnesota tax court within 60 days of the date of the notice from the county. Procedurally, the appeal is governed by the provisions in chapter 271 which apply to the appeal of a property tax assessment or levy, but without requiring any prepayment of the amount in controversy. If the amount of homestead benefits and penalty is not paid within 60 days, and if no appeal has been filed, the county auditor shall certify the amount of taxes and penalty to the county treasurer. The county treasurer will add interest to the unpaid homestead benefits and penalty amounts at the rate provided in section 279.03 for real property taxes becoming delinquent in the calendar year during which the amount remains unpaid. Interest may be assessed for the period beginning 60 days after demand for payment was made.

If the person notified is the current owner of the property, the treasurer may add the total amount of benefits, penalty, interest, and costs to the ad valorem taxes otherwise payable on the property by including the amounts on the property tax statements under section 276.04, subdivision 3. The amounts added under this paragraph to the ad valorem taxes shall include interest accrued through December 31 of the year preceding the taxes payable year for which the amounts are first added. These amounts, when added to the property tax statement, become subject to all the laws for the enforcement of real or personal property taxes for that year, and for any subsequent year.

If the person notified is not the current owner of the property, the treasurer may collect the amounts due under the Revenue Recapture Act in chapter 270A, or use any of the powers granted in sections 277.20 and 277.21 without exclusion, to enforce payment of the benefits, penalty, interest, and costs, as if those amounts were delinquent tax obligations of the person who owned the property at the time the application related to the improperly allowed homestead was filed. The treasurer may relieve a prior owner of personal liability for the benefits, penalty, interest, and costs, and instead extend those amounts on the tax lists against the property as provided in this paragraph to the extent that the current owner agrees in writing. On all demands, billings, property tax statements, and related correspondence, the county must list and state separately the amounts of homestead benefits, penalty, interest and costs being demanded, billed or assessed.

(i) Any amount of homestead benefits recovered by the county from the property owner shall be distributed to the county, city or town, and school district where the property is located in the same proportion that each taxing district's levy was to the total of the three taxing districts' levy for the current year. Any amount recovered attributable to taconite homestead credit shall be transmitted to the St. Louis county auditor to be deposited in the taconite property tax relief account. Any amount recovered that is attributable to supplemental homestead credit is to be transmitted to the commissioner of revenue for deposit in the general fund of the state treasury. The total amount of penalty collected must be deposited in the county general fund.

(j) If a property owner has applied for more than one homestead and the county assessors cannot determine which property should be classified as homestead, the county assessors will refer the information to the commissioner. The commissioner shall make the determination and notify the counties within 60 days.

(k) In addition to lists of homestead properties, the commissioner may ask the counties to furnish lists of all properties and the record owners. The social security numbers and federal identification numbers that are maintained by a county or city assessor for property tax administration purposes, and that may appear on the lists retain their classification as private or nonpublic data; but may be viewed, accessed, and used by the county auditor or treasurer of the same county for the limited purpose of assisting the commissioner in the preparation of microdata samples under section 270.0681.

Sec. 14. Minnesota Statutes 1998, section 273.124, subdivision 14, is amended to read:

Subd. 14. [AGRICULTURAL HOMESTEADS; SPECIAL PROVISIONS.] (a) Real estate of

less than ten acres that is the homestead of its owner must be classified as class 2a under section 273.13, subdivision 23, paragraph (a), if:

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

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

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

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

Homesteads initially classified as class 2a under the provisions of this paragraph shall remain classified as class 2a, irrespective of subsequent changes in the use of adjoining properties, as long as the homestead remains under the same ownership, the owner owns a noncontiguous parcel of agricultural land that is at least 20 acres, and the agricultural use value qualifies under clause (4). Homestead classification under this paragraph is limited to property that qualified under this paragraph for the 1998 assessment.

(b) Agricultural property consisting of at least 40 acres shall be classified homestead, to the same extent as other agricultural homestead property, if all of the following criteria are met:

(1) the owner is actively farming the agricultural property;

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

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

(4) the owner does not live farther than four townships or cities, or a combination of four townships or cities, from the agricultural property.

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

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

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

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

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

(3) the agricultural land and buildings remain under the same ownership for the current

assessment year as existed for the 1997 assessment year and continue to be used for agricultural purposes;

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

(5) the owner notifies the county assessor that the relocation was due to the 1997 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in dwelling. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(e) (f) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 1998 assessment shall remain classified agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of damage caused by a March 29, 1998, tornado;

(2) the property is located in the county of Blue Earth, Brown, Cottonwood, LeSueur, Nicollet, Nobles, or Rice;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1998 assessment year;

(4) the dwelling occupied by the owner is located in this state and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to a March 29, 1998, tornado, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in homestead dwelling. For taxes payable in 1999, the owner must notify the assessor by December 1, 1998. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

Sec. 15. Minnesota Statutes 1998, section 273.124, is amended by adding a subdivision to read:

Subd. 20. [ADDITIONAL REQUIREMENTS PROHIBITED.] No political subdivision may impose any requirements not contained in this chapter or chapter 272 to disqualify property from being classified as a homestead if the property otherwise meets the requirements for homestead treatment under this chapter and chapter 272.

Sec. 16. Minnesota Statutes 1998, 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.

The first ~~\$75,000~~ \$78,000 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~~ \$78,000 has a class rate of ~~1.7~~ 1.6 percent of its market value.

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

(1) any 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 household income, as defined in section 290A.03, subdivision 5, 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. 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. If any portion of the class 1c resort property is classified as class 4c under subdivision 25, the entire property must meet the requirements of subdivision 25, paragraph (d), clause (1), to qualify for class 1c treatment under this paragraph.

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

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

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

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

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

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

Sec. 17. Minnesota Statutes 1998, 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 ~~0.35~~ 0.33 percent of market value. 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 ~~0.8~~ 0.75 percent of market value. The remaining property over \$115,000 market value in excess of ~~320~~ 320 acres has a class rate of ~~1.25~~ 1.15 percent of market value.

(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 ~~1.25~~ 1.15 percent of market value.

(c) Agricultural land as used in this section means contiguous acreage of ten acres or more, used during the preceding year for agricultural purposes. "Agricultural purposes" as used in this section means the raising or cultivation of agricultural products 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;

(6) insects primarily bred to be used as food for animals; and

(7) trees, grown for sale as a crop, and not sold for timber, lumber, wood, or wood products.

(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. 18. Minnesota Statutes 1998, 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 of real property has a class rate of ~~2.45~~ 2.25 percent of the first tier of market value, and ~~3.5~~ 3.25 percent 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.~~ Real property owned in fee by a utility for transmission line right-of-way shall be classified at the class rate for the higher tier. All personal property shall be classified at the class rate for the higher tier. For purposes of this subdivision "personal property" means 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.

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 3.5 percent 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~~ rates for class 3b property are 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)(1) Subject to the limitations of clause (2), 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 lesser of 2.975 percent or 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. A class rate equal to ~~85 percent of~~ the lesser of 2.975

percent or the class rate of the second tier of the commercial property class 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.

(2) This clause applies to any structure qualifying for the transit zone reduced class rate under clause (1) on January 2, 1999, or any structure meeting any of the qualification criteria in item (i) and otherwise qualifying for the transit zone reduced class rate under clause (1). Such a structure continues to receive the transit zone reduced class rate until the occurrence of one of the events in item (ii).

(i) A structure qualifies for the rate in this clause if it is:

(A) property for which a building permit was issued before December 31, 1998; or

(B) property for which a building permit was issued before June 30, 2001, if:

(I) at least 50 percent of the land on which the structure is to be built has been acquired or is the subject of signed purchase agreements or signed options as of March 15, 1998, by the entity that proposes construction of the project or an affiliate of the entity;

(II) signed agreements have been entered into with one entity or with affiliated entities to lease for the account of the entity or affiliated entities at least 50 percent of the square footage of the structure or the owner of the structure will occupy at least 50 percent of the square footage of the structure; and

(III) one of the following requirements is met:

the project proposer has submitted the completed data portions of an environmental assessment worksheet by December 31, 1998; or

a notice of determination of adequacy of an environmental impact statement has been published by April 1, 1999; or

an alternative urban areawide review has been completed by April 1, 1999; or

(C) property for which a building permit is issued before July 30, 1999, if:

(I) at least 50 percent of the land on which the structure is to be built has been acquired or is the subject of signed purchase agreements as of March 31, 1998, by the entity that proposes construction of the project or an affiliate of the entity;

(II) a signed agreement has been entered into between the building developer and a tenant to lease for its own account at least 200,000 square feet of space in the building;

(III) a signed letter of intent is entered into by July 1, 1998, between the building developer and the tenant to lease the space for its own account; and

(IV) the environmental review process required by state law was commenced by December 31, 1998.

(ii) A structure specified by this clause shall continue to receive the transit zone reduced class rate until the occurrence of one of the following events:

(A) if the structure upon initial occupancy will be owner occupied by the entity initially constructing the structure or an affiliated entity, the structure receives the reduced class rate until the structure ceases to be at least 50 percent occupied by the entity or an affiliated entity, provided, if the portion of the structure occupied by that entity or an affiliate of the entity is less than 85

percent, the transit zone class rate reduction for the portion of structure not so occupied terminates upon the leasing of such space to any nonaffiliated entity; or

(B) if the structure is leased by a single entity or affiliated entity at the time of initial occupancy, the structure shall receive the reduced class rate until the structure ceases to be at least 50 percent occupied by the entity or an affiliated entity, provided, if the portion of the structure occupied by that entity or an affiliate of the entity is less than 85 percent, the transit zone class rate reduction for the portion of structure not so occupied shall terminate upon the leasing of such space to any nonaffiliated entity; or

(C) if the structure meets the criteria in item (i)(C), the structure shall receive the reduced class rate until the expiration of the initial lease term of the applicable tenants.

Percentages occupied or leased shall be determined based upon net leasable square footage in the structure. The assessor shall allocate the value of the structure in the same fashion as provided in the general law for portions of any structure receiving and not receiving the transit tax class reduction as a result of this clause.

Sec. 19. Minnesota Statutes 1998, section 273.13, is amended by adding a subdivision to read:

Subd. 24a. [TRANSIT ZONE PROPERTIES; PERSONAL PROPERTY TAX.] (a) Notwithstanding the provisions of section 272.02 or any other law to the contrary, a personal property tax is imposed on the leasehold of a tenant of a structure described in subdivision 24, paragraph (c), clause (2), item (i)(C).

(b) The tax equals the amount obtained by multiplying the sum of the local tax rates by:

(1) the estimated market value of the structure multiplied by

(2) the square footage of the structure under lease that qualifies under subdivision 24, clause (c)(1), divided by

(3) the total square footage of the structure that qualifies under subdivision 24, clause (c)(1), multiplied by

(4) the difference between the class rate under subdivision 24, paragraph (a), for the second tier and the class rate under subdivision 24, paragraph (c), for the second tier for the qualifying parts of a structure.

(c) The tax under this subdivision does not apply to a lease that:

(1) was executed before May 1, 1999;

(2) was entered according to a binding written agreement executed before May 1, 1999; or

(3) is a lease entered under an expansion option contained in a lease or binding written agreement qualifying under clause (1) or (2).

(d) The tax imposed under this subdivision is a personal property tax and is imposed on the lessee or tenant and not on the structure or the real property. The tax is an obligation of the lessee or tenant and must be collected in the manner provided for personal property taxes.

(e) The personal property tax applies only to a year in which the leased structure qualifies for the transit zone class rate.

Sec. 20. Minnesota Statutes 1998, section 273.13, subdivision 25, is amended to read:

Subd. 25. [CLASS 4.] (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more. 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 2.15 percent of market value. All other class 4a property has a class rate of ~~2.5~~ 2.25 percent of market value. 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 subdivision 33.

Class 4b property has a class rate of ~~1.7~~ 1.6 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 ~~1.25~~ 1.15 percent on the first ~~\$75,000~~ \$78,000 of market value and a class rate of ~~1.7~~ 1.6 percent of its market value that exceeds ~~\$75,000~~ \$78,000.

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 during 90 consecutive days and either (i) at least 60 percent of all paid bookings by lodging guests during the year must be for periods of at least two consecutive nights; or (ii) at least 20 percent of the annual gross receipts must be from charges for rental of fish houses, boats and motors, snowmobiles, downhill or cross-country ski equipment, or charges for marina services, launch services, and guide services, or the sale of bait and fishing tackle. For purposes of this determination, a paid booking of five or more nights shall be counted as two bookings. Class 4c also includes commercial use real property used exclusively for recreational purposes in conjunction with class 4c property devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 250 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. Class 4c property classified in this clause also includes the remainder of class 1c resorts provided that the entire property including that portion of the property classified as class 1c also meets the requirements for class 4c under this clause; otherwise the entire property is classified as class 3. 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) it is open to the public on a daily fee basis. It may charge membership fees or dues, but a membership fee may not be required in order to use the property for golfing, and its green fees for golfing must be comparable to green fees typically charged by municipal courses; and

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

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

(3) real property up to a maximum of one acre 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;

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

(6) real property that is actively and exclusively devoted to indoor fitness, health, social, recreational, and related uses, is owned and operated by a not-for-profit corporation, and is located within the metropolitan area as defined in section 473.121, subdivision 2.

Class 4c property has a class rate of ~~1.8~~ 1.6 percent of market value, 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 1.25 percent, and the market value that exceeds \$75,000 has a class rate of 2.2 percent~~ has the same class rates as class 4bb property, (ii)

manufactured home parks assessed under clause (5) have a the same class rate of two percent as class 4b property, and (iii) property described in paragraph (d), clause (4), has the same class rate as the rate applicable to the first tier of class 4bb nonhomestead residential real estate under paragraph (c).

(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.~~

~~(f) Class 4f property consists of any parcel, portion of a parcel, or contiguous parcels of unimproved real estate, excluding agricultural land classified under subdivision 23 that meets the requirements in clauses (1) to (4):~~

~~(1) the property consists of at least 300 contiguous feet of unimproved real estate that borders a meandered lake as contained in section 103G.005, subdivisions 11 and 15, clause (3);~~

~~(2) the unimproved real estate is located within 400 feet from the ordinary high water elevation of the meandered lake. For purposes of this clause, "unimproved" means that the property qualifying under this paragraph has:~~

- ~~(i) no structures;~~
- ~~(ii) no docks or landings on its shoreline;~~
- ~~(iii) undisturbed natural terrain and vegetation; and~~
- ~~(iv) no on-site sewage disposal on the property;~~

~~(3) the owner files an application with the county assessor by July 1 for classification under this paragraph for the subsequent assessment year; and~~

~~(4) the owner of the property signs a covenant agreement and files a copy of the covenant with the county assessor and files for record the original covenant agreement with the county recorder or registrar in the county where the property is located. The commissioner of revenue shall prepare a standardized covenant agreement form for use under this classification and make copies available to each county. The covenant agreement must include all of the following:~~

- ~~(i) a legal description of the area to which the covenant applies;~~
- ~~(ii) the name and address of the owner;~~
- ~~(iii) a statement that the land described in the covenant must be kept as undeveloped land for the duration of the covenant;~~
- ~~(iv) a statement that the landowner may initiate expiration of the covenant agreement by~~



notifying the county assessor and filing a notice for record with the county recorder or registrar, in writing, with the date of expiration which must be at least ten years from the date of the expiration notice;

(v) a statement that the covenant is binding on the owner or owner's successor or assignee and runs with the land; and

(vi) a witnessed signature of the owner covenanting to keep the land in its undeveloped state as it existed on the date the covenant was signed.

Upon expiration of a covenant agreement in clause (4), the property which is sold is subject to additional taxes. The amount of additional taxes due on the property equals the difference between the taxes actually levied and the taxes that would have been imposed if the property had been valued and classified if class 4f did not apply. The additional taxes must be extended against the property on the tax list for the current year. No interest or penalties may be levied on the additional taxes if timely paid, and the additional taxes must be levied only with respect to the last ten years that the property was valued and assessed as class 4f property.

The tax imposed under this paragraph is a lien on the property assessed to the same extent and for the same duration as other real property taxes. The tax must be extended by the county auditor and, when payable, be collected and distributed in the same manner provided by law for the collection and distribution of other property taxes.

Class 4f has a class rate of 1.0 percent of market value.

Sec. 21. Minnesota Statutes 1998, 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) (2) all other property not otherwise classified.

Class 5 property has a class rate of ~~3.5~~ 3.25 percent of market value.

Sec. 22. Minnesota Statutes 1998, section 273.1382, is amended to read:

273.1382 [EDUCATION HOMESTEAD CREDIT; EDUCATION AGRICULTURAL CREDIT.]

Subdivision 1. [EDUCATION HOMESTEAD CREDIT TAX RATE.] Each year, the respective county auditors shall determine the initial tax rate for each school district for the general education levy certified under section 126C.13, 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

Subd. 1a. [EDUCATION HOMESTEAD CREDIT.] Each county auditor shall then determine a general education homestead credit for each homestead within the county equal to ~~68~~ 66.2 percent for taxes payable in 1999 and ~~69~~ 96 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 \$320 for taxes payable in 1999 and ~~\$335~~ \$450 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.

Subd. 1a. [CREDIT PERCENTAGE REDUCTION.] If the general education levy target for

fiscal year 2000 or 2001 is increased by another law enacted prior to the 1999 legislative session, the commissioner of revenue shall adjust the percentage rates of the education homestead credit for the corresponding taxes payable year by multiplying the percentage rate by the ratio of the prior general education levy target to the current general education levy target. If an adjustment is made under this section for fiscal year 2001, the adjusted rate shall remain in effect for future years until amended by subsequent legislation.

Subd. 1b. [EDUCATION AGRICULTURAL CREDIT.] Property classified as class 2a agricultural homestead or class 2b agricultural nonhomestead is eligible for education agricultural credit. The credit is equal to 50 percent, in the case of agricultural homestead property, or 40 percent, in the case of agricultural nonhomestead property, of the property's net tax capacity times the education credit tax rate determined in subdivision 1. The net tax capacity of class 2a property attributable to the house, garage, and surrounding one acre of land is not eligible for the credit under this subdivision.

Subd. 2. [CREDIT REIMBURSEMENTS.] (a) The commissioner of revenue shall determine the tax reductions allowed under this section for each taxes payable year, and for each school district based upon a review of the abstracts of tax lists submitted by the county auditors under section 275.29, and from any other information which the commissioner deems relevant. The commissioner of revenue shall generally compute the tax reductions at the unique taxing jurisdiction level, however the commissioner may compute the tax reductions at a higher geographic level if that would have a negligible impact, or if changes in the composition of unique taxing jurisdictions do not permit computation at the unique taxing jurisdiction level. The commissioner's determinations under this paragraph are not rules.

(b) The commissioner of revenue shall certify the total of the tax reductions granted under this section for each taxes payable year within each school district to the commissioner of children, families, and learning after July 1 and on or before August 1 of the taxes payable year. The commissioner of children, families, and learning shall reimburse each affected school district for the amount of the property tax reductions allowed under this section as provided in section 273.1392. The commissioner of children, families, and learning shall treat the reimbursement payments as entitlements for the same state fiscal year as certified, including with each district's initial payment all amounts that would have been paid up to that date, computed as if 90 percent of the annual reimbursement amount for the district were being paid one-twelfth in each month of the fiscal year.

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.

Sec. 23. Minnesota Statutes 1998, section 273.1398, subdivision 8, is amended to read:

Subd. 8. [APPROPRIATION.] (a) An amount sufficient to pay the aids and credits provided under this section for school districts, intermediate school districts, or any group of school districts levying as a single taxing entity, is annually appropriated from the general fund to the commissioner of children, families, and learning. An amount sufficient to pay the aids and credits provided under this section for counties, cities, towns, and special taxing districts is annually appropriated from the general fund to the commissioner of revenue. A jurisdiction's aid amount may be increased or decreased based on any prior year adjustments for homestead credit or other property tax credit or aid programs.

(b) The commissioner of finance shall bill the commissioner of revenue for the cost of preparation of local impact notes as required by section 3.987 only to the extent to which those costs exceed those costs incurred in fiscal year 1997 and for any other new costs attributable to the local impact note function required by section 3.987, not to exceed \$100,000 in a fiscal year 1998 and \$200,000 in fiscal year 1999 and thereafter.

The commissioner of revenue shall deduct the amount billed under this paragraph from aid payments to be made to cities and counties under subdivision 2 on a pro rata basis. The amount deducted under this paragraph is appropriated to the commissioner of finance for the preparation of local impact notes.

Sec. 24. Minnesota Statutes 1998, section 273.20, is amended to read:

273.20 [ASSESSOR MAY ENTER DWELLINGS, BUILDINGS, OR STRUCTURES.]

Any officer authorized by law to assess property for taxation may, when necessary to the proper performance of duties, enter any dwelling-house, building, or structure, and view the same and the property therein.

Any officer authorized by law to assess property for ad valorem tax purposes shall have reasonable access to land and structures as necessary for the proper performance of their duties. A property owner may refuse to allow an assessor to inspect their property. This refusal by the property owner must be either verbal or expressly stated in a letter to the county assessor. If the assessor is denied access to view a property, the assessor is authorized to estimate the property's estimated market value by making assumptions believed appropriate concerning the property's finish and condition.

Sec. 25. Minnesota Statutes 1998, section 274.01, subdivision 1, is amended to read:

Subdivision 1. [ORDINARY BOARD; MEETINGS, DEADLINES, GRIEVANCES.] (a) The town board of a town, or the council or other governing body of a city, is the board of review except (1) in cities whose charters provide for a board of equalization or (2) in any city or town that has transferred its local board of review power and duties to the county board as provided in subdivision 3. The county assessor shall fix a day and time when the board or the board of equalization shall meet in the assessment districts of the county. On or before February 15 of each year the assessor shall give written notice of the time to the city or town clerk. Notwithstanding the provisions of any charter to the contrary, the meetings must be held between April 1 and May 31 each year. The clerk shall give published and posted notice of the meeting at least ten days before the date of the meeting.

If in any county, at least 25 percent of the total net tax capacity of a city or town is noncommercial seasonal residential recreational property classified under section 273.13, subdivision 25, the county must hold two countywide informational meetings on Saturdays. The meetings will allow noncommercial seasonal residential recreational taxpayers to discuss their property valuation with the appropriate assessment staff. These Saturday informational meetings must be scheduled to allow the owner of the noncommercial seasonal residential recreational property the opportunity to attend one of the meetings prior to the scheduled board of review for their city or town. The Saturday meeting dates must be contained on the notice of valuation of real property under section 273.121.

The board shall meet at the office of the clerk to review the assessment and classification of property in the town or city. No changes in valuation or classification which are intended to correct errors in judgment by the county assessor may be made by the county assessor after the board of review has adjourned in those cities or towns that hold a local board of review; however, corrections of errors that are merely clerical in nature or changes that extend homestead treatment to property are permitted after adjournment until the tax extension date for that assessment year. The changes must be fully documented and maintained in the assessor's office and must be available for review by any person. A copy of the changes made during this period in those cities or towns that hold a local board of review must be sent to the county board no later than December 31 of the assessment year.

(b) The board shall determine whether the taxable property in the town or city has been properly placed on the list and properly valued by the assessor. If real or personal property has been omitted, the board shall place it on the list with its market value, and correct the assessment so that each tract or lot of real property, and each article, parcel, or class of personal property, is entered on the assessment list at its market value. No assessment of the property of any person may be raised unless the person has been duly notified of the intent of the board to do so. On application of any person feeling aggrieved, the board shall review the assessment or classification, or both, and correct it as appears just. The board may not make an individual market value adjustment or classification change that would benefit the property in cases where the owner or other person having control over the property will not permit the assessor to inspect the property and the interior of any buildings or structures.

(c) A local board of review may reduce assessments upon petition of the taxpayer but the total reductions must not reduce the aggregate assessment made by the county assessor by more than one percent. If the total reductions would lower the aggregate assessments made by the county assessor by more than one percent, none of the adjustments may be made. The assessor shall correct any clerical errors or double assessments discovered by the board of review without regard to the one percent limitation.

(d) A majority of the members may act at the meeting, and adjourn from day to day until they finish hearing the cases presented. The assessor shall attend, with the assessment books and papers, and take part in the proceedings, but must not vote. The county assessor, or an assistant delegated by the county assessor shall attend the meetings. The board shall list separately, on a form appended to the assessment book, all omitted property added to the list by the board and all items of property increased or decreased, with the market value of each item of property, added or changed by the board, placed opposite the item. The county assessor shall enter all changes made by the board in the assessment book.

(e) Except as provided in subdivision 3, if a person fails to appear in person, by counsel, or by written communication before the board after being duly notified of the board's intent to raise the assessment of the property, or if a person feeling aggrieved by an assessment or classification fails to apply for a review of the assessment or classification, the person may not appear before the county board of equalization for a review of the assessment or classification. This paragraph does not apply if an assessment was made after the board meeting, as provided in section 273.01, or if the person can establish not having received notice of market value at least five days before the local board of review meeting.

(f) The board of review or the board of equalization must complete its work and adjourn within 20 days from the time of convening stated in the notice of the clerk, unless a longer period is approved by the commissioner of revenue. No action taken after that date is valid. All complaints about an assessment or classification made after the meeting of the board must be heard and determined by the county board of equalization. A nonresident may, at any time, before the meeting of the board of review file written objections to an assessment or classification with the county assessor. The objections must be presented to the board of review at its meeting by the county assessor for its consideration.

Sec. 26. Minnesota Statutes 1998, section 276.131, is amended to read:

276.131 [DISTRIBUTION OF PENALTIES, INTEREST, AND COSTS.]

The penalties, interest, and costs collected on special assessments and real and personal property taxes must be distributed as follows:

(1) all penalties and interest collected on special assessments against real or personal property must be distributed to the taxing jurisdiction that levied the assessment;

(2) (i) 50 percent of all penalties and interest collected on real and personal property taxes must be distributed to the county in which the property is located school districts within the county, and

(ii) the other remaining 50 percent must be distributed to the school districts within the county as follows:

(A) the county shall receive the monies from penalties;

(B) the city or town where the property is located shall receive a share of the amount of interest equal to the proportion that the city's or town's local tax rate for the year that the interest was collected, is to the sum of the city's or town's local tax rate and the county's local tax rate for the year that the interest was collected; and

(C) the balance must be distributed to the county.

The distribution to the school district must be in accordance with the provisions of section 127A.34; and

(3) all costs collected by the county on special assessments and on delinquent real and personal property taxes must be distributed to the county in which the property is located.

Sec. 27. Minnesota Statutes 1998, section 290B.03, subdivision 1, is amended to read:

Subdivision 1. [PROGRAM QUALIFICATIONS.] The qualifications for the senior citizens' property tax deferral program are as follows:

(1) the property must be owned and occupied as a homestead by a person 65 years of age or older. In the case of a married couple, both of the spouses must be at least 65 years old at the time the first property tax deferral is granted, regardless of whether the property is titled in the name of one spouse or both spouses, or titled in another way that permits the property to have homestead status;

(2) the total household income of the qualifying homeowners, as defined in section 290A.03, subdivision 5, for the calendar year preceding the year of the initial application may not exceed ~~\$30,000~~ \$60,000;

(3) the homestead must have been owned and occupied as the homestead of at least one of the qualifying homeowners for at least 15 years prior to the year the initial application is filed;

(4) there are no delinquent property taxes, penalties, or interest on the homesteaded property;

(5) there are no delinquent special assessments on the homesteaded property;

(6) there are no state or federal tax liens or judgment liens on the homesteaded property;

(7) there are no mortgages or other liens on the property that secure future advances, except for those subject to credit limits that result in compliance with clause (8); and

(8) the total unpaid balances of debts secured by mortgages and other liens on the property, including unpaid special assessments, but not including property taxes payable during the year, does not exceed 30 percent of the assessor's estimated market value for the year.

Sec. 28. Minnesota Statutes 1998, section 290B.04, subdivision 3, is amended to read:

Subd. 3. [EXCESS-INCOME CERTIFICATION BY TAXPAYER.] A taxpayer whose initial application has been approved under subdivision 2 shall notify the commissioner of revenue in writing by July 1 if the taxpayer's household income for the preceding calendar year exceeded ~~\$30,000~~ \$60,000. The certification must state the homeowner's total household income for the previous calendar year. No property taxes may be deferred under this chapter in any year following the year in which a program participant filed or should have filed an excess-income certification under this subdivision, unless the participant has filed a resumption of eligibility certification as described in subdivision 4.

Sec. 29. Minnesota Statutes 1998, section 290B.04, subdivision 4, is amended to read:

Subd. 4. [RESUMPTION OF ELIGIBILITY CERTIFICATION BY TAXPAYER.] A taxpayer who has previously filed an excess-income certification under subdivision 3 may resume program participation if the taxpayer's household income for a subsequent year is ~~\$30,000~~ \$60,000 or less. If the taxpayer chooses to resume program participation, the taxpayer must notify the commissioner of revenue in writing by July 1 of the year following a calendar year in which the taxpayer's household income is ~~\$30,000~~ \$60,000 or less. The certification must state the taxpayer's total household income for the previous calendar year. Once a taxpayer resumes participation in the program under this subdivision, participation will continue until the taxpayer files a subsequent excess-income certification under subdivision 3 or until participation is terminated under section 290B.08, subdivision 1.

Sec. 30. Minnesota Statutes 1998, section 290B.05, subdivision 1, is amended to read:

Subdivision 1. [DETERMINATION BY COMMISSIONER.] The commissioner shall determine each qualifying homeowner's "annual maximum property tax amount" following

approval of the homeowner's initial application and following the receipt of a resumption of eligibility certification. The "annual maximum property tax amount" equals ~~five~~ three percent of the homeowner's total household income for the year preceding either the initial application or the resumption of eligibility certification, whichever is applicable. Following approval of the initial application, the commissioner shall determine the qualifying homeowner's "maximum allowable deferral." No tax may be deferred relative to the appropriate assessment year for any homeowner whose total household income for the previous year exceeds ~~\$30,000~~ \$60,000. No tax shall be deferred in any year in which the homeowner does not meet the program qualifications in section 290B.03. The maximum allowable total deferral is equal to 75 percent of the assessor's estimated market value for the year, less the balance of any mortgage loans and other amounts secured by liens against the property at the time of application, including any unpaid special assessments but not including property taxes payable during the year.

Sec. 31. [473.3985] [LIGHT RAIL TRANSIT; PROPERTY TAXES PROHIBITED.]

Notwithstanding any other law to the contrary, a political subdivision or a public corporation is prohibited from levying a property tax for light rail transit, including, but not limited to, any property tax levy for the planning or design of the system, acquisition of property, construction and equipping of the system, relocation of persons or property, or operation or maintenance of the system, including any costs for management contracts. A political subdivision or public corporation may not transfer funds from any accounts, reserves, or funds containing property tax revenues for any of the purposes for which a property tax levy is prohibited under this section. This prohibition also applies to a property tax levy to pay bonds or other debt used to finance any costs or expenditures enumerated in the section.

Nothing in this section prohibits a political subdivision or public corporation from receiving and using federal or state funds specifically designated for light rail transit purposes, or from using fare or other operating revenues from a light rail transit system.

Sec. 32. Minnesota Statutes 1998, section 477A.06, subdivision 1, is amended to read:

Subdivision 1. [ELIGIBILITY.] (a) For assessment years 1998, 1999, and 2000, for all class 4d property on which construction was begun before January 1, 1999, the assessor shall determine the difference between the actual net tax capacity and the net tax capacity that would be determined for the property if the class rates for assessment year 1997 were in effect.

(b) In calendar years 1999, 2000, and 2001, each city shall be eligible for aid equal to (i) the amount by which the sum of the differences determined in clause (a) for the corresponding assessment year exceeds ~~2.5~~ two percent of the city's total taxable net tax capacity for taxes payable in 1998, multiplied by (ii) the city government's average local tax rate for taxes payable in 1998.

Sec. 33. Laws 1997, First Special Session chapter 3, section 27, is amended to read:

Sec. 27. [TAXPAYER'S PERSONAL INFORMATION; DISCLOSURE.]

(a) An owner of property in Washington or Ramsey county that is subject to property taxation must be informed in a clear and conspicuous manner in writing on a form sent to property taxpayers that the property owner's name, address, and other information may be used, rented, or sold for business purposes, including surveys, marketing, and solicitation.

(b) If the property owner so requests on the form provided, then any such list generated by the county and sold for business purposes must exclude the owner's name and address if the business purpose is conducting surveys, marketing, or solicitation.

(c) This section expires August 1, ~~1999~~ 2001.

Sec. 34. Laws 1998, chapter 389, article 1, section 1, is amended to read:

Section 1. [1998 PROPERTY TAX REBATE.]

(a) A credit is allowed against the tax imposed under Minnesota Statutes, chapter 290, to an individual, other than 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 before January 1, 1999, for taxes assessed in 1997. The maximum amount of qualifying tax to which the credit applies is \$7,500.

(b) For property owned and occupied by the taxpayer during 1998, qualified property tax means property taxes payable as defined in Minnesota Statutes, section 290A.03, subdivision 13, assessed in 1997 and payable in 1998, and deductible by the individual under section 164 of the Internal Revenue Code of 1986, as amended through December 31, 1997, except the requirement in Minnesota Statutes, section 290A.03, subdivision 13, that the taxpayer own and occupy the property on January 2, 1998, does not apply. In the case of agricultural land assessed as part of a homestead pursuant to Minnesota Statutes, 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 Minnesota Statutes, 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 1998 except as provided in this clause. 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), apply to determine the amount of the credit for the individual. In the case of agricultural land and buildings that are leased, the renter is allowed to calculate the credit on the property taxes on the house, garage, other improvements, and on up to 320 acres of land that is leased by the renter, provided that (i) it is the renter's principal residence, (ii) the renter is actively engaged in farming that property, and (iii) the owner of the property does not claim a credit based on that property.

(d) For an individual who both owned and rented principal residences in calendar year 1998, qualified taxes are the sum of the amounts under paragraphs (b) and (c).

(e) If the amount of the credit under this section exceeds the taxpayer's tax liability under Minnesota Statutes, chapter 290, the commissioner shall refund the excess.

(f) To claim a credit under this section, 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) This credit applies to taxable years beginning after December 31, 1997, and before January 1, 1999.

(h) 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.

(i) An amount sufficient to pay refunds under this section is appropriated to the commissioner of revenue from the general fund.

#### Sec. 35. [ABATEMENT OF TAXES; LAKE COUNTY.]

Subdivision 1. [PROPERTY DEFINED.] As used in this section and section 36, "property" means property located in Lake county that meets the following description:

All that part of Government Lot Two (2) of Section One (1) in Township Fifty-two (52) North, Range Eleven (11) West of the Fourth Principal Meridian, lying within the following described lines:

Commencing at a point on the North-South quarter line of said Section 1 which is 20 feet south of the center of said Section 1 measured along said North-South quarter line;

thence easterly at a right angle to said North-South quarter line a distance of 5 feet to the point of Beginning;

thence continuing in an easterly direction at a right angle to said North-South quarter line a distance of 335 feet;

thence southerly at a right angle to the last described line a distance of 80 feet;

thence easterly at a right angle to the last described line a distance of 210 feet;

thence southerly at a right angle to the last described line a distance of 255 feet;

thence southeasterly at an angle of 102 degrees to the last described line to the ordinary low-water mark of Agate Bay;

thence easterly along said ordinary low-water mark to the East boundary line of said Government Lot 2;

thence in a northerly direction along said East boundary line to a point on said East boundary line which is 75 feet distant in a northerly direction from the East-West quarter line of said Section 1, extended, as measured along said East boundary line;

thence in a northwesterly direction to a point which is 190 feet easterly measured at a right angle to the North-South quarter line of said Section 1 from a point on the North-South quarter line, which point is 725 feet northerly of the center of said Section 1 when measured along said North-South quarter line;

thence in a westerly direction at a right angle to said North-South quarter line a distance of 185 feet;

thence southerly along a line parallel to and 5 feet distant easterly from said North-South quarter line a distance of 230 feet;

thence easterly at a right angle to the last described line a distance of 130 feet;

thence southerly at a right angle to the last described line a distance of 119.27 feet;

thence westerly at a right angle to the last described line a distance of 130 feet;

thence southerly along a line parallel to and 5 feet distant easterly from said North-South quarter line a distance of 395.73 feet to the point of beginning.

Subd. 2. [AUTHORIZATION.] Upon a majority vote of its members, the governing bodies of each of Lake county, the city of Two Harbors, and Lake Superior independent school district No. 381, may abate the taxes levied on the property described in subdivision 1 in 1979 to 1990, payable in 1980 to 1991.

Sec. 36. [RECORDING OF CONVEYANCE AUTHORIZED; LAKE COUNTY.]

Notwithstanding Minnesota Statutes, section 272.12, or any other law to the contrary, if the governing bodies of Lake county, the city of Two Harbors, and Lake Superior independent school district No. 381 have all abated the taxes as provided in section 35, subdivision 2, the county auditor may record the conveyance of the property described in section 1, subdivision 1.

Sec. 37. [STUDY OF AGRICULTURAL AND OPEN SPACE PROPERTY TAXATION.]

Subdivision 1. [ESTABLISHMENT OF TASK FORCE; ISSUES.] An advisory task force is established to study the taxation of property used for agricultural purposes and open space property. The task force shall examine the implementation and effects of current law governing the classification of agricultural property, the Minnesota Agricultural Property Tax Law, the Minnesota Open Space Property Tax Law, the Minnesota Agricultural Preserves Law, and other laws relating to those issues. The task force shall also analyze and make recommendations on proposals for new tax provisions intended to encourage preservation of open space and agricultural property.



Subd. 2. [MEMBERSHIP.] The task force consists of 11 members, appointed as follows:

(1) three members of the senate, at least one of whom is a member of the minority caucus, appointed by the committee on committees;

(2) three members of the house of representatives, at least one of whom is a member of the minority caucus, appointed by the speaker;

(3) the commissioner of revenue and the commissioner of agriculture; and

(4) three county commissioners appointed by the commissioner of revenue, one from a metropolitan county as defined in Minnesota Statutes, section 473.121, subdivision 4, that contains a city of the first class, one from a metropolitan county that does not contain a city of the first class, and one from a county outside the metropolitan area as defined in Minnesota Statutes, section 473.121, subdivision 2.

Subd. 3. [REPORT.] The advisory task force shall report to the chairs of the committees on taxes of the senate and the house of representatives by January 15, 2000, on their recommendations for new or modified laws applicable to the taxation of agricultural and open space land.

Subd. 4. [EXPIRATION.] This section expires March 1, 2000.

Sec. 38. [AGRICULTURAL PRODUCTION VALUE STUDY.]

The commissioner of revenue, in consultation with the commissioner of agriculture, shall study the feasibility and the desirability of incorporating the concept of valuation based on production value in determining the value of agricultural property for the purposes of property taxation as an alternative to the education agricultural credit as provided in section 273.1382, subdivision 1b. The study must:

(1) assess whether the current method of determining agricultural value based on sales of property in the market place may overstate its value due to market imperfections including infrequent sales, the effect of nonagricultural factors on sale prices, and others;

(2) prescribe how a production-value system could be implemented for the state of Minnesota;

(3) analyze whether production value would reduce the volatility in agricultural market values, while still providing an accurate measure of market values over the long run; and

(4) examine the possibility of partial adoption of a production-value system, wherein production values would be used solely with regard to state equalization programs.

The commissioner shall complete and submit the study to the tax committees of the house of representatives and the senate by November 30, 2000.

Sec. 39. [PROPERTY TAX ABATEMENT; PROPERTY DAMAGED BY TORNADO.]

Subdivision 1. [ABATEMENT AMOUNT.] The county auditor shall grant an abatement for taxes payable in 1999 to any property in a qualifying county, as defined in Laws 1998, chapter 383, section 20, that contains a structure that has been determined by the assessor to have lost over 50 percent of its estimated market value due to wind damage sustained on March 29, 1998, excluding residential homestead property and the portion of agricultural homestead property consisting of the house, garage, and surrounding one acre of land. The abatement is equal to 75 percent of the amount by which the net tax capacity of the structure was reduced by the wind damage, multiplied by the payable 1999 total local net tax capacity tax rate, plus 75 percent of the amount by which the referendum market value of the structure was reduced by the wind damage, multiplied by the payable 1999 total market value tax rate. If the amount of the abatement exceeds the remaining tax due on the property for taxes payable in 1999, a refund shall be issued to the taxpayer by the county treasurer by June 30, 1999.

Subd. 2. [CERTIFICATION.] The amount of abatements granted under this section shall be

reported to the commissioner of revenue by the county auditor by June 30, 1999, in a form prescribed by the commissioner. The commissioner may require the county to provide other information necessary to verify the accuracy of the abatement amounts submitted.

Subd. 3. [PAYMENT.] The commissioner shall make payments equal to the amount of abatements granted to each county by August 30, 1999. The county treasurer shall distribute the payments to the affected taxing jurisdictions equal to the amount of the tax that was abated as part of the October 1999 regular settlement as provided in Minnesota Statutes, section 276.111.

Subd. 4. [APPROPRIATION.] The amount necessary to fund the payments required under this section is appropriated from the general fund to the commissioner of revenue in fiscal year 2000.

Sec. 40. [FUNDS TRANSFER.]

The sum of \$113,296,000 is transferred from the general fund to the property tax reform account on June 30, 2001. Amounts deposited in the property tax reform account as a result of this article are appropriated for education homestead credit payments in fiscal years 2002 and 2003.

Sec. 41. [REPEALER.]

(a) Minnesota Statutes 1998, section 273.11, subdivision 10, is repealed.

(b) Laws 1998, chapter 389, article 3, section 45, is repealed.

Sec. 42. [EFFECTIVE DATES.]

Sections 2 and 3 are effective for petitions filed on or after the day following final enactment.

Sections 4, 5, 6, 11, 12, 16, 17, 18, paragraphs (a) and (b), 20, except for paragraph (f), 21, 22, and 25, are effective for taxes levied in 1999, payable in 2000, and thereafter.

Section 7 is effective for assessment years 1999 through 2001.

Section 8 is effective for improvements made on or after July 1, 1999.

Section 9 is effective retroactively for property taxes payable in 1998 and thereafter.

Section 10, paragraph (h), is effective for taxes payable in 1999 and subsequent years.

Sections 10, paragraph (d), and 14 are effective beginning with the 1999 assessment, taxes payable in 2000 and thereafter. For eligibility for the 1999 assessment year under sections 10, paragraph (d), and 14, paragraph (b), the owner or the person who is actively farming the property must notify the county assessor by July 1, 1999, and furnish to the assessor the information required by the assessor to determine whether the qualifying criteria in section 10 or 14 have been met for the 1999 assessment on the agricultural property.

Sections 13, 15, 24, 31, 37, 38, 39, and 41, paragraph (a), are effective the day following final enactment.

Sections 18, paragraph (c), 19, and 41, paragraph (b), are effective for taxes levied in 2000, payable in 2001 and thereafter.

Section 20, paragraph (f), is effective for the 2000 assessment and thereafter, for taxes payable in 2001 and thereafter, except that for taxes payable in 2001, the date for filing an application with the county assessor under section 20, paragraph (f), clause (3), is September 1, 1999.

Section 26 is effective for penalties and interest on property taxes collected after June 30, 1999.

Sections 27 to 30 are effective for deferrals of property taxes payable in 2000 and thereafter. The changes in the annual tax amount percentage and the maximum annual household income in sections 27 to 30 apply to all homeowners and all property taxes deferred beginning in payable 2000, including those homeowners who initially qualified under this program for taxes payable in 1999.

Section 32 is effective beginning for aid payable in calendar year 2000.

Section 33 applies to Washington county only and is effective the day after the chief clerical officer of Washington county files a certificate of approval that complies with Minnesota Statutes, section 645.021, subdivision 3.

Section 34 is effective the day following final enactment.

Sections 35 and 36 are effective the day following final enactment, upon approval by and compliance with Minnesota Statutes, section 645.021, subdivision 3, by the governing bodies of Lake county, the city of Two Harbors, and Lake Superior independent school district No. 381.

## ARTICLE 7

### LEVY LIMITS

Section 1. Minnesota Statutes 1998, section 275.71, subdivision 2, is amended to read:

Subd. 2. [LEVY LIMIT BASE.] (a) The levy limit base for a local governmental unit for taxes levied in 1997 shall be equal to the sum of:

(1) the amount the local governmental unit levied in 1996, less any amount levied for debt, as reported to the department of revenue under section 275.62, subdivision 1, clause (1), and less any tax levied in 1996 against market value as provided for in section 275.61;

(2) the amount of aids the local governmental unit was certified to receive in calendar year 1997 under sections 477A.011 to 477A.03 before any reductions for state tax increment financing aid under section 273.1399, subdivision 5;

(3) the amount of homestead and agricultural credit aid the local governmental unit was certified to receive under section 273.1398 in calendar year 1997 before any reductions for tax increment financing aid under section 273.1399, subdivision 5;

(4) the amount of local performance aid the local governmental unit was certified to receive in calendar year 1997 under section 477A.05; and

(5) the amount of any payments certified to the local government unit in 1997 under sections 298.28 and 298.282.

If a governmental unit was not required to report under section 275.62 for taxes levied in 1997, the commissioner shall request information on levies used for debt from the local governmental unit and adjust its levy limit base accordingly.

(b) The levy limit base for a local governmental unit for taxes levied in 1998 is equal to its adjusted levy limit base in the previous year, subject to any adjustments under section 275.72 and multiplied by the increase that would have occurred under subdivision 3, clause (3), if that clause had been in effect for taxes levied in 1997.

(c) The levy limit base for a city with a population greater than 2,500 for taxes levied in 1999 and 2000 is limited to its adjusted levy limit base in the previous year, subject to adjustments under section 275.72.

(d) The levy limit base for a county for taxes levied in 1999 and 2000 is limited to the difference between (1) its adjusted levy limit base in the previous year subject to adjustments under section 275.72, and (2) one-half of the county's share of the net cost to the state for assumption of district court costs, as reported by the supreme court to the commissioner of revenue under article 9, section 3, paragraph (a).

Sec. 2. Minnesota Statutes 1998, section 275.71, subdivision 3, is amended to read:

Subd. 3. [ADJUSTED LEVY LIMIT BASE.] For taxes levied in 1998, 1999, and 2000, the adjusted levy limit is equal to the levy limit base computed under subdivision 2 or section 275.72, multiplied by:

(1) one plus a percentage equal to the percentage growth in the implicit price deflator; and

(2) for all cities and for counties outside of the seven-county metropolitan area, one plus a percentage equal to the percentage increase in number of households, if any, for the most recent 12-month period for which data is available; and for counties located in the seven-county metropolitan area, one plus a percentage equal to the greater of the percentage increase in the number of households in the county or the percentage increase in the number of households in the entire seven-county metropolitan area for the most recent 12-month period for which data is available; and

(3) ~~one plus a percentage equal to the percentage increase in the taxable market value of the jurisdiction due to new construction of class 3 and class 5 property, as defined in section 273.13, subdivisions 24 and 31, for the most recent year for which data are available.~~

Sec. 3. Minnesota Statutes 1998, section 275.71, subdivision 4, is amended to read:

Subd. 4. [PROPERTY TAX LEVY LIMIT.] For taxes levied in 1998, 1999, and 2000, the property tax levy limit for a local governmental unit is equal to its adjusted levy limit base determined under subdivision 3 plus any additional levy authorized under section 275.73, which is levied against net tax capacity, reduced by the sum of (1) the total amount of aids that the local governmental unit is certified to receive under sections 477A.011 to 477A.014, (2) homestead and agricultural aids it is certified to receive under section 273.1398, (3) local performance aid it is certified to receive under section 477A.05, (4) taconite aids under sections 298.28 and 298.282 including any aid which was required to be placed in a special fund for expenditure in the next succeeding year, (5) flood loss aid under section 273.1383, and (6) low-income housing aid under sections 477A.06 and 477A.065.

Sec. 4. Minnesota Statutes 1998, section 465.82, is amended by adding a subdivision to read:

Subd. 4. [DIFFERENTIAL TAXATION.] The plan for cooperation and combination adopted in accordance with subdivision 1 may establish that the tax rate of the local government unit with the lesser tax rate prior to the effective date of combination shall be increased in substantially equal proportions over not more than six years to equality with the tax rate on the property already within the borders of the local unit of government with the higher tax rate. The appropriate period of time, if any, for transition to the higher tax rate shall be based on the time reasonably required to effectively provide equal municipal services to the residents of the local unit of government with the lower tax rate.

Sec. 5. Minnesota Statutes 1998, section 473.249, subdivision 1, is amended to read:

Subdivision 1. [INDEXED LIMIT.] (a) The metropolitan council may levy a tax on all taxable property in the metropolitan area defined in section 473.121 to provide funds for the purposes of sections 473.121 to 473.249 and for the purpose of carrying out other responsibilities of the council as provided by law. This tax for general purposes shall be levied and collected in the manner provided by section 473.13.

(b) ~~The metropolitan council's property tax levied by the metropolitan council levy limit for general purposes for taxes payable in 2000 and thereafter shall not exceed the product of: (1) the metropolitan council's property tax levy limitation for general purposes for the previous year determined under this subdivision multiplied by (2) the lesser of~~

~~(i) an index for market valuation changes equal to the total market valuation of all taxable property located within the metropolitan area for the current taxes payable year divided by the total market valuation of all taxable property located within the metropolitan area for the previous taxes payable year;~~

~~(ii) an index equal to the implicit price deflator for government consumption expenditures and gross investment for state and local governments for the most recent month for which data are available divided by the same implicit price deflator for the same month of the previous year; or~~

~~(iii) 103 percent.~~

~~(c) For the purpose of determining the metropolitan council's property tax levy limitation for general purposes, "total market valuation" means the total market valuation of all taxable property within the metropolitan area without valuation adjustments for fiscal disparities (chapter 473F), tax increment financing (sections 469.174 to 469.179), and high voltage transmission lines (section 273.425) 90 percent of the metropolitan council's property tax levy limit for general purposes for taxes payable in 1999.~~

Sec. 6. Minnesota Statutes 1998, section 473.252, subdivision 2, is amended to read:

Subd. 2. [SOURCES OF FUNDS.] The council shall credit to the tax base revitalization account within the fund the amount, if any, provided for under subdivision 4, and the amount, if any, distributed to the council under section 473F.08, subdivision 3b.

Sec. 7. Minnesota Statutes 1998, section 473.253, subdivision 1, is amended to read:

Subdivision 1. [SOURCES OF FUNDS.] The council shall credit to the livable communities demonstration account the revenues provided in this subdivision. This tax shall be levied and collected in the manner provided by section 473.13. The levy for taxes payable in 2000 and thereafter shall not exceed the following amount for the years specified:

~~(a)(1) for taxes payable in 1996, 50 percent of (i) the metropolitan mosquito control commission's property tax levy for taxes payable in 1995 multiplied by (ii) an index for market valuation changes equal to the total market valuation of all taxable property located within the metropolitan area for the current taxes payable year divided by the total market valuation of all taxable property located in the metropolitan area for the previous taxes payable year; and~~

~~(2) for taxes payable in 1997 and subsequent years, the product of (i) the property tax levy limit under this subdivision for the previous year multiplied by (ii) an index for market valuation changes equal to the total market valuation of all taxable property located within the metropolitan area for the current taxes payable year divided by the total market valuation of all taxable property located in the metropolitan area for the previous taxes payable year.~~

~~For the purposes of this subdivision, "total market valuation" means the total market valuation of all taxable property within the metropolitan area without valuation adjustments for fiscal disparities under chapter 473F, tax increment financing under sections 469.174 to 469.179, and high voltage transmission lines under section 273.425 levy limit for the livable communities demonstration account for taxes payable in 1999.~~

~~(b) The metropolitan council, for the purposes of the fund, is considered a unique taxing jurisdiction for purposes of receiving aid pursuant to section 273.1398. For aid to be received in 1996, the fund's homestead and agricultural credit base shall equal 50 percent of the metropolitan mosquito control commission's certified homestead and agricultural credit aid for 1995, determined under section 273.1398, subdivision 2, less any permanent aid reduction under section 477A.0132. For aid to be received under section 273.1398 in 1997 and subsequent years, the fund's homestead and agricultural credit base shall be determined in accordance with section 273.1398, subdivision 1.~~

Sec. 8. Laws 1988, chapter 645, section 3, is amended to read:

Sec. 3. [TAX; PAYMENT OF EXPENSES.]

~~(a) The tax levied by the hospital district under Minnesota Statutes, section 447.34, must not be levied at a rate that exceeds 2 mills .0063 percent of taxable market value. The proceeds~~

~~(b) .0048 percent of taxable market value of that tax in paragraph (a) may be used only for acquisition, betterment, and maintenance of the district's hospital and nursing home facilities and equipment, and not for administrative or salary expenses.~~

~~(c) .0015 percent of taxable market value of the tax in paragraph (a) may be used solely for the purpose of capital expenditures as it relates to ambulance acquisitions for the Cook ambulance service and the Orr ambulance service and not for administrative or salary expenses.~~

The part of the levy referred to in paragraph (c) must be administered by the Cook Hospital and passed on directly to the Cook area ambulance service board and the city of Orr to be held in trust until funding for a new ambulance is needed by either the Cook ambulance service or the Orr ambulance service.

Sec. 9. Laws 1997, chapter 231, article 3, section 9, is amended to read:

Sec. 9. [EFFECTIVE DATE.]

Sections 1 and 3 to 7, as amended by Laws 1998, chapter 389, article 4, sections 1 to 6, are effective for taxes levied in 1997 and 1998 through 2000, payable in 1998 and 1999 through 2001.

Upon compliance with Minnesota Statutes, section 645.021, subdivision 3, by the governing body of Faribault county or the city of Blue Earth, section 8 is effective for taxes levied in 1997 and 1998 through 2000 in the county or city that approves it.

Sec. 10. [CEMETERY LEVY FOR SAWYER BY CARLTON COUNTY.]

Subdivision 1. [LEVY AUTHORIZED.] Notwithstanding other law to the contrary, the Carlton county board of commissioners may levy in and for the unorganized township of Sawyer an amount up to \$1,000 annually for cemetery purposes, beginning with taxes payable in 2000 and ending with taxes payable in 2009.

Subd. 2. [EFFECTIVE DATE.] This section is effective June 1, 1999, without local approval.

Sec. 11. [COUNTY OF GOODHUE; LEVY LIMITS AND AID ADJUSTMENTS.]

Subdivision 1. [LEVY LIMIT BASE.] The levy limit base of the county of Goodhue for taxes levied in 1999 under Minnesota Statutes, section 275.71, subdivision 2, is increased by \$422,324.

Subd. 2. [TEMPORARY COUNTY AGRICULTURAL AND HOMESTEAD CREDIT AID ADJUSTMENTS.] For aids paid in calendar year 1999 only, the county of Goodhue shall receive an additional aid payment of \$422,324 under the provisions of Minnesota Statutes, section 273.1398. For aids paid in calendar years 2000 and 2001, the aid paid to the county of Goodhue under section 273.1398, subdivision 2, shall be reduced by \$211,162. The additional aid paid in 1999 shall not be included in calculating any limitation on levies or expenditures in calendar year 1999 but the reductions in calendar years 2000 and 2001 shall be included in calculating any limitation on levies or expenditures.

Subd. 3. [APPROPRIATION.] \$422,324 is appropriated in fiscal year 2000 to the commissioner of revenue from the general fund to make the payment under subdivision 2.

Subd. 4. [EFFECTIVE DATE.] Subdivision 1 is effective for taxes levied in 1999 upon compliance with the governing body of the county of Goodhue with Minnesota Statutes, section 645.021, subdivision 3. Subdivision 2 is effective for aids payable in calendar years 1999 to 2001.

Sec. 12. [CITY OF GRANT; LEVY LIMITS.]

Subdivision 1. [LEVY LIMIT BASE INCREASE.] The levy limit base for the city of Grant for taxes levied in 1999 under Minnesota Statutes, section 275.71, subdivision 2, is increased by an amount equal to the difference between (1) the amount the city would have raised if it had imposed a tax rate equal to one-third of the statewide average city tax effort rate for taxes payable in 1999, as defined in Minnesota Statutes, section 477A.011, subdivision 35, on its net tax capacity for taxes payable in 1999, as defined in Minnesota Statutes, section 477A.011, subdivision 20; and (2) the amount it levied for taxes payable in 1999.

Subd. 2. [LOCAL APPROVAL; EFFECTIVE DATE.] This section is effective upon compliance by the governing body of the city of Grant with Minnesota Statutes, section 645.021, subdivision 3, for taxes levied in 1999, payable in 2000.

Sec. 13. [NORTH FORK CROW RIVER WATERSHED DISTRICT.]

Subdivision 1. [LEVY AUTHORIZED.] Notwithstanding Minnesota Statutes, section 103D.905, subdivision 3, the North Fork Crow River watershed district may annually levy up to .04836 percent of taxable market value, or \$140,000, whichever is less, for its administrative fund.

Subd. 2. [REVERSE REFERENDUM.] If the watershed district intends to exercise the authority provided by this section, it shall pass a resolution stating the fact before July 1, 1999. The resolution must be published in a newspaper of general circulation in the district, together with a notice fixing a date for a public hearing on the matter. The hearing must be held at least two weeks but not more than four weeks after the publication of the resolution. Following the public hearing, the district may determine to take no further action or adopt a resolution confirming its intention to exercise the authority. That resolution must also be published in a newspaper of general circulation in the district. If within 30 days after publication of the resolution a petition signed by voters equal in number to five percent of the registered voters in the district requesting a vote on the proposed resolution is filed with the county auditors of the counties contained in the district, the resolution is not effective until it has been submitted to the voters at a general or special election and a majority of votes cast on the question of approving the resolution are in the affirmative. The commissioner of revenue shall prepare a suggested form of question to be presented at the election. The referendum must be held at a special or general election before December 1, 1999.

Subd. 3. [EFFECTIVE DATE.] This section is effective beginning with taxes levied in 1999, payable in 2000.

Sec. 14. [SAUK RIVER WATERSHED DISTRICT.]

Subdivision 1. [LEVY AUTHORIZED.] Notwithstanding Minnesota Statutes, section 103D.905, subdivision 3, the Sauk river watershed district may annually levy up to \$200,000 for its administrative fund for taxes payable in 2000, 2001, 2002, 2003, and 2004.

Subd. 2. [REVERSE REFERENDUM.] If the watershed district intends to exercise the authority provided by this section, it shall pass a resolution stating the fact before July 1, 1999. The resolution must be published in a newspaper of general circulation in the district, together with a notice fixing a date for a public hearing on the matter. The hearing must be held at least two weeks but not more than four weeks after the publication of the resolution. Following the public hearing, the district may determine to take no further action or adopt a resolution confirming its intention to exercise the authority. That resolution must also be published in a newspaper of general circulation in the district. If within 30 days after publication of the resolution a petition signed by voters equal in number to five percent of the registered voters in the district requesting a vote on the proposed resolution is filed with the county auditors in the counties contained in the district, the resolution is not effective until it has been submitted to the voters at a general or special election and a majority of votes cast on the question of approving the resolution are in the affirmative. The commissioner of revenue shall prepare a suggested form of question to be presented at the election. The referendum must be held at a special or general election before December 1, 1999.

Subd. 3. [EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 15. [SPLITTING EXISTING DEBT LEVY; CITY OF STILLWATER.]

Notwithstanding Minnesota Statutes, section 272.67, subdivisions 2 and 5, the city of Stillwater, in order to carry out an orderly annexation agreement entered into for the annexation of a part or all of Stillwater township may divide its area into urban service districts and rural service districts constituting separate taxing districts for the purpose of municipal property taxes, including those levied for the payment of bonds and judgment, and associated interest, incurred prior to the annexation agreement.

Sec. 16. [REPEALER.]

Minnesota Statutes 1998, section 473.252, subdivisions 4 and 5, are repealed.

Sec. 17. [EFFECTIVE DATE.]

Sections 1 to 3 and 9 are effective for taxes levied in 1999 and 2000, and payable in 2000 and 2001. Section 4 is effective the day following final enactment for taxes levied in 1999 and thereafter. Section 5 to 7 and 16 are effective for taxes levied in 1999, payable in 2000, and thereafter.

The .0015 percent of taxable market value levy described in section 8, paragraph (c), is effective for the cities of Cook and Orr and the counties of St. Louis and Koochiching for affected parts of those counties on January 1, 2000, to be requested in the year 2000, with the first payment to be received in 2001.

## ARTICLE 8

### TRUTH IN TAXATION; REVERSE REFERENDA

Section 1. Minnesota Statutes 1998, 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 17 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, cities of 500 population or less, and towns, ~~will~~ must 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~~ In the case of a county or a city over 500 population, a public hearing is not required if the county's or city's proposed property tax levy has not increased over the levy amount certified by the county or city under section 275.07, subdivision 1, for the previous year. The notice must clearly state the time and place of each taxing authority's meeting and if one is to be held. It must also state an address where comments will be received by mail, whether or not a public hearing is held.

(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 126C.17, subdivision 9, that a referendum will be held in the school district at the November general election, the county auditor must note next to the school district's proposed amount that a referendum is pending and that, if approved by the voters, the tax amount may be higher than shown on the notice. In the case of the city of Minneapolis, the levy for the Minneapolis library board and the levy for Minneapolis park and recreation shall be listed separately from the remaining amount of the city's levy. In the case of 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 20 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, if held.

(j) If a statutory or home rule charter city or a town has exercised the local levy option provided by section 473.388, subdivision 7, it may include in the notice of its proposed taxes the amount of its proposed taxes attributable to its exercise of the option. In the first year of the city or town's exercise of this option, the statement shall include an estimate of the reduction of the metropolitan council's tax on the parcel due to exercise of that option. The metropolitan council's levy shall be adjusted accordingly.

Sec. 2. Minnesota Statutes 1998, section 275.065, subdivision 5a, is amended to read:

Subd. 5a. [PUBLIC ADVERTISEMENT.] (a) A city that has a population of more than 2,500, county, a metropolitan special taxing district as defined in subdivision 3, paragraph (i), a regional library district established under section 134.201, or school district shall advertise in a newspaper a notice of its intent to adopt a budget and property tax levy or, in the case of a school district, to review its current budget and proposed property taxes payable in the following year, at a public hearing. In the case of a county or a city that has a population over 2,500, if its proposed property tax levy has not increased over its levy amount certified under section 275.07, subdivision 1, for the previous year, no public hearing is required. The notice must be published not less than two business days nor more than six business days before the hearing, if required due to a levy increase. Even if a hearing is not required, counties and cities must continue to place an advertisement in the newspaper informing taxpayers of the proposed budget and levy amounts.

The advertisement must be at least one-eighth page in size of a standard-size or a tabloid-size newspaper. The advertisement must not be placed in the part of the newspaper where legal notices and classified advertisements appear. The advertisement must be published in an official newspaper of general circulation in the taxing authority. The newspaper selected must be one of general interest and readership in the community, and not one of limited subject matter. The advertisement must appear in a newspaper that is published at least once per week.

For purposes of this section, the metropolitan special taxing district's advertisement must only be published in the Minneapolis Star and Tribune and the Saint Paul Pioneer Press.

(b) The advertisement for school districts, metropolitan special taxing districts, and regional library districts must be in the following form, except that the notice for a school district may include references to the current budget in regard to proposed property taxes.

"NOTICE OF  
PROPOSED PROPERTY TAXES

(School District/Metropolitan  
Special Taxing District/Regional  
Library District) of .....

The governing body of ..... will soon hold budget hearings and vote on the property taxes for (metropolitan special taxing district/regional library district services that will be provided in (year)/school district services that will be provided in (year) and (year)).

NOTICE OF PUBLIC HEARING:

All concerned citizens are invited to attend a public hearing and express their opinions on the proposed (school district/metropolitan special taxing district/regional library district) budget and property taxes, or in the case of a school district, its current budget and proposed property taxes, payable in the following year. The hearing will be held on (Month/Day/Year) at (Time) at (Location, Address)."

(c)(i) If the city or county's proposed property tax levy has increased over its previous year's certified levy, the advertisement for cities and counties must be in the following form.

"NOTICE OF PROPOSED  
TOTAL BUDGET AND PROPERTY TAXES

The (city/county) governing body or board of commissioners will hold a public hearing to discuss the budget and to vote on the amount of property taxes to collect for services the (city/county) will provide in (year).

SPENDING: The total budget amounts below compare (city's/county's) (year) total actual budget with the amount the (city/county) proposes to spend in (year).

(Year) Total Actual Budget	Proposed (Year) Budget	Change from (Year)-(Year)
\$.....	\$.....	...%

TAXES: The property tax amounts below compare that portion of the current budget levied in property taxes in (city/county) for (year) with the property taxes the (city/county) proposes to collect in (year).

(Year) Property Taxes	Proposed (Year) Property Taxes	Change from (Year)-(Year)
\$.....	\$.....	...%

ATTEND THE PUBLIC HEARING

All (city/county) residents are invited to attend the public hearing of the (city/county) to express your opinions on the budget and the proposed amount of (year) property taxes. The hearing will be held on:

(Month/Day/Year/Time)  
(Location/Address)

If the discussion of the budget cannot be completed, a time and place for continuing the discussion will be announced at the hearing. You are also invited to send your written comments to:

(City/County)  
(Location/Address)"

(ii) If no hearing is required under this section for the city or county, its advertisement must be in the following form. The advertisement must clearly state that because the proposed property tax levy amount is equal to or less than the taxing authority's previous year's actual property tax levy, no public hearing is required by law.

"NOTICE OF PROPOSED  
TOTAL BUDGET AND PROPERTY TAXES

Although no public hearing will be held, the (city/county) governing body or board of commissioners is planning to adopt the following budget and property tax levy.

SPENDING: The total budget amounts below compare (city's/county's) (year) total actual budget with the amount the (city/county) proposes to spend in (year).

<u>(Year) Total Actual Budget</u>	<u>Proposed (Year) Budget</u>	<u>Change from (Year)-(Year)</u>
\$.....	\$.....	...%

TAXES: The property tax amounts below compare that portion of the current budget levied in property taxes in (city/county) for (year) with the property taxes the (city/county) proposes to collect in (year).

<u>(Year) Property Taxes</u>	<u>Proposed (Year) Property Taxes</u>	<u>Change from (Year)-(Year)</u>
\$.....	\$.....	...%

Although no public hearing will be held, you are invited to send any written comments to:

(City/County)  
(Location/Address)"

(iii) If the city's governing body or county board of commissioners decide to hold a public hearing on the proposed budget and levy, even though the proposed levy is equal to or less than the previous year's certified levy amount, the advertisement format in clause (i) must be used.

(d) For purposes of this subdivision, the budget amounts listed on the advertisement mean:

(1) for cities, the total government fund expenditures, as defined by the state auditor under section 471.6965, less any expenditures for improvements or services that are specially assessed or charged under chapter 429, 430, 435, or the provisions of any other law or charter; and

(2) for counties, the total government fund expenditures, as defined by the state auditor under section 375.169, less any expenditures for direct payments to recipients or providers for the human service aids listed below:

(1) aid to families with dependent children under sections 256.82, subdivision 1, and 256.935, subdivision 1;

(2) medical assistance under sections 256B.041, subdivision 5, and 256B.19, subdivision 1;

(3) general assistance medical care under section 256D.03, subdivision 6;

(4) general assistance under section 256D.03, subdivision 2;

(5) emergency assistance under section 256.871, subdivision 6;

(6) Minnesota supplemental aid under section 256D.36, subdivision 1;

(7) preadmission screening under section 256B.0911, and alternative care grants under section 256B.0913;

(8) general assistance medical care claims processing, medical transportation and related costs under section 256D.03, subdivision 4;

(9) medical transportation and related costs under section 256B.0625, subdivisions 17 to 18a;

(10) group residential housing under 256I.05, subdivision 8, transferred from programs in clauses (4) and (6); or

(11) any successor programs to those listed in clauses (1) to (10).

(e) A city with a population of over 500 but not more than 2,500 must advertise by posted notice as defined in section 645.12, subdivision 1. The advertisement must be posted at the time provided in paragraph (a). It must be in the form required in paragraph (b).

(f) For purposes of this subdivision, the population of a city is the most recent population as determined by the state demographer under section 4A.02.

(g) The commissioner of revenue, subject to the approval of the chairs of the house and senate tax committees, shall prescribe the form and format of the advertisement.

Sec. 3. Minnesota Statutes 1998, 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) Except as provided in paragraph (g), between November 29 19 and December 20 10, 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~~ three business days but no more than ~~14~~ seven business days after the initial hearing. A continuation hearing may not be held later than December 20 10 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 ~~first Thursday~~ third Tuesday in December ~~November~~ each year, and may hold additional initial hearings on other dates before December 20 ~~10~~ 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~~ first Thursday 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 Wednesday of December. A continuation hearing, if necessary, shall be held on the second Wednesday of December even if that second 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~~ fourth Monday of November and the first Monday of December are reserved for the use of the cities. If a city does not certify 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 123B.63, subdivision 3, or 126C.17, subdivision 9, 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 126C.55.

(n) This subdivision does not apply to towns and, special taxing districts other than regional library districts and metropolitan special taxing districts, cities under 500 population, and any counties or cities over 500 population whose proposed property tax levy is less than or equal to its levy certified under section 275.07, subdivision 1, for the previous year.

(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. 4. Minnesota Statutes 1998, section 275.065, subdivision 8, is amended to read:

Subd. 8. [HEARING.] Notwithstanding any other provision of law, Ramsey county, the city of St. Paul, and independent school district No. 625 are authorized to and shall hold their initial public hearing jointly. The hearing must be held on the ~~second~~ fourth Tuesday of ~~December~~ November each year. The advertisement required in subdivision 5a may be a joint advertisement. The hearing is otherwise subject to the requirements of this section.

Ramsey county is authorized to hold an additional initial hearing or hearings as provided under this section, provided that any additional hearings must not conflict with the initial or continuation hearing dates of the other taxing districts. However, if Ramsey county elects not to hold such additional initial hearing or hearings, the joint initial hearing required by this subdivision must be held in a St. Paul location convenient to residents of Ramsey county.

Sec. 5. Minnesota Statutes 1998, section 275.065, is amended by adding a subdivision to read:

Subd. 9. [REVERSE REFERENDUM.] (a) The reverse referendum procedure in this subdivision applies only in the case of a county, or a city that has a population of more than 2,500, that has adopted a property tax levy increase over the levy amount certified under section 275.07, subdivision 1, for the previous year that exceeds the greater of (1) two percent, or (2) a percentage increase equal to the sum of the percentage increase in the implicit price deflator and the percentage increase in the number of households for that county or city, as calculated under section 275.71, subdivision 3, clauses (1) and (2), for taxes levied in the current year. By September 1 the commissioner of revenue shall certify to the county the percentage increase allowed for each local government located in the county that is subject to this subdivision.

(b) If within 14 calendar days after the public hearing and adoption of a levy under subdivision 6, a petition signed by voters equal in number to ten percent of the registered voters in the county or city in the last general election requesting a referendum on the levy increase is filed with the county auditor, or the city clerk, the levy increase shall not be effective until it has been submitted

to the voters at a special election to be held on the last Tuesday in January, and a majority of votes cast on the question of approving the levy increase are in the affirmative. The commissioner of revenue shall prepare the form of the question to be presented at the referendum, which shall reference only the amount of the property tax levy increase over the previous year.

(c) The county or city shall notify the county auditor of the results of the referendum. If the majority of the votes cast on the question are in the affirmative, the levy adopted under subdivision 6 shall be certified to the county auditor under section 275.07, subdivision 1. If the majority of the votes cast on the question are in the negative, an amount equal to the preceding year's levy multiplied by one plus the percentage increase allowed under paragraph (a) shall be certified to the county auditor for purposes of section 275.07, subdivision 1.

(d) For purposes of this subdivision, "property tax levy" does not include a levy to pay general obligation bonds, as certified to the county under section 475.61 or other applicable law.

Sec. 6. Minnesota Statutes 1998, section 275.07, subdivision 1, is amended to read:

Subdivision 1. [CERTIFICATION OF LEVY.] Except as otherwise provided in this subdivision, the taxes voted by cities, counties, school districts, and special districts shall be certified by the proper authorities to the county auditor on or before five working days after December 20 in each year. A county or city to which the reverse referendum provisions under section 275.065, subdivision 9, apply shall certify the taxes to the county auditor by January 5, except that any county or city for which a petition has been filed under section 275.065, subdivision 9, must certify the day immediately following the election under that section. A town must certify the levy adopted by the town board to the county auditor by September 15 each year. If the town board modifies the levy at a special town meeting after September 15, the town board must recertify its levy to the county auditor on or before five working days after December 20. The taxes certified shall not be reduced by the county auditor by the aid received under section 273.1398, subdivision 2, but shall be reduced by the county auditor by the aid received under section 273.1398, subdivision 3. If a city, town, county, school district, or special district fails to certify its levy by that date, its levy shall be the amount levied by it for the preceding year.

Sec. 7. [275.078] [AUTHORIZATION; TAX RATE INCREASE.]

On or before October 1, 1999, and each subsequent year, the county auditor shall certify to the governing body of each home rule charter or statutory city in the county and to the county board, the following information for the taxing jurisdiction:

(1) the taxing jurisdiction's certified levy under section 275.08 for the previous year, taxes payable in the current year;

(2) the taxing jurisdiction's net tax capacity for the current assessment year, for taxes payable in the following year; and

(3) the local tax rate, obtained by dividing the amount in clause (1) by the amount in clause (2), rounded to the nearest hundredth percent.

In order to impose a tax rate for taxes payable in the following year higher than the tax rate certified by the county auditor under clause (3), the governing body of the city or the county board must adopt a resolution, after holding a public hearing, authorizing a higher tax rate and file a copy of the resolution with the county auditor on or before October 20, 1999, and each year thereafter. A county auditor is prohibited from fixing a tax rate under section 275.08 for that taxing jurisdiction for taxes payable in the following year that is higher than the rate certified under clause (3) if a resolution has not been filed. For purposes of this section, "public hearing" includes, but is not limited to, regularly scheduled city council hearings and county board meetings.

Sec. 8. [EFFECTIVE DATE.]

Sections 1, 3, and 4 are effective for notices prepared in 1999 and thereafter. Section 2 is effective for newspaper advertisements in 1999 and thereafter. Sections 5 and 6 are effective for taxes levied in 1999 and thereafter, for taxes payable in 2000 and thereafter.



ARTICLE 9  
STATE FUNDING OF DISTRICT COURTS  
TRANSFER OF FINES, FEES, AND OTHER MONEY TO STATE

Section 1. Minnesota Statutes 1998, section 97A.065, subdivision 2, is amended to read:

Subd. 2. [FINES AND FORFEITED BAIL.] (a) Fines and forfeited bail collected from prosecutions of violations of: the game and fish laws; sections 84.091 to 84.15; sections 84.81 to 84.91; section 169.121, when the violation involved an off-road recreational vehicle as defined in section 169.01, subdivision 86; chapter 348; and any other law relating to wild animals or aquatic vegetation, must be paid to the treasurer of the county where the violation is prosecuted. The county treasurer shall submit one-half of the receipts to the commissioner and credit the balance to the county general revenue fund except as provided in paragraphs (b), (c), and (d). In a county in a judicial district under section 480.181, subdivision 1, paragraph (b), as added in 1999 S.F. No. 2221, article 7, section 26, the share that would otherwise go to the county under this paragraph must be submitted to the state treasurer for deposit in the state treasury and credited to the general fund.

(b) The commissioner must reimburse a county, from the game and fish fund, for the cost of keeping prisoners prosecuted for violations under this section if the county board, by resolution, directs: (1) the county treasurer to submit all fines and forfeited bail to the commissioner; and (2) the county auditor to certify and submit monthly itemized statements to the commissioner.

(c) The county treasurer shall submit one-half of the receipts collected under paragraph (a) from prosecutions of violations of sections 84.81 to 84.91, and 169.121, except receipts that are surcharges imposed under section 357.021, subdivision 6, to the state treasurer and credit the balance to the county general fund. The state treasurer shall credit these receipts to the snowmobile trails and enforcement account in the natural resources fund.

(d) The county treasurer shall indicate the amount of the receipts that are surcharges imposed under section 357.021, subdivision 6, and shall submit all of those receipts to the state treasurer.

Sec. 2. Minnesota Statutes 1998, 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. ~~For aid payable in 2000, each county shall have its homestead and agricultural credit aid permanently reduced by an amount equal to one-third of the additional amount received by the county under section 477A.03, subdivision 2, paragraph (c), clause (ii).~~

Sec. 3. Minnesota Statutes 1998, section 273.1398, is amended by adding a subdivision to read:

Subd. 4a. [AID OFFSET FOR COURT COSTS.] (a) By July 15, 1999, the supreme court shall determine and certify to the commissioner of revenue for each county, other than counties located in the eighth judicial district, the county's share of the costs assumed under 1999 S.F. No. 2221, article 7, during the fiscal year beginning July 1, 2000, less an amount equal to the county's share of transferred fines collected by the district courts in the county during calendar year 1998.

(b) Payments to a county under subdivision 2 or section 273.166 for calendar year 2000 must be permanently reduced by an amount equal to 75 percent of the net cost to the state for assumption of district court costs as certified in paragraph (a).

(c) Payments to a county under subdivision 2 or section 273.166 for calendar year 2001 must be permanently reduced by an amount equal to 25 percent of the net cost to the state for assumption of district court costs as certified in paragraph (a).

Sec. 4. Minnesota Statutes 1998, section 299D.03, subdivision 5, is amended to read:

Subd. 5. [FINES AND FORFEITED BAIL MONEY.] (a) All fines and forfeited bail money, from traffic and motor vehicle law violations, collected from persons apprehended or arrested by officers of the state patrol, shall be paid by the person or officer collecting the fines, forfeited bail money or installments thereof, on or before the tenth day after the last day of the month in which these moneys were collected, to the county treasurer of the county where the violation occurred. Three-eighths of these receipts shall be credited to the general revenue fund of the county, except that in a county in a judicial district under section 480.181, subdivision 1, paragraph (b), as added in 1999 S.F. No. 2221, article 7, section 26, this three-eighths share must be transmitted to the state treasurer for deposit in the state treasury and credited to the general fund. The other five-eighths of these receipts shall be transmitted by that officer to the state treasurer and shall be credited as follows:

(1) In the fiscal year ending June 30, 1991, the first \$275,000 in money received by the state treasurer after June 4, 1991, must be credited to the transportation services fund, and the remainder in the fiscal year credited to the trunk highway fund.

(2) In fiscal year 1992, the first \$215,000 in money received by the state treasurer in the fiscal year must be credited to the transportation services fund, and the remainder credited to the trunk highway fund.

(3) In fiscal years 1993 and subsequent years, the entire amount received by the state treasurer must be credited to the trunk highway fund. If, however, the violation occurs within a municipality and the city attorney prosecutes the offense, and a plea of not guilty is entered, one-third of the receipts shall be credited to the general revenue fund of the county, one-third of the receipts shall be paid to the municipality prosecuting the offense, and one-third shall be transmitted to the state treasurer as provided in this subdivision. All costs of participation in a nationwide police communication system chargeable to the state of Minnesota shall be paid from appropriations for that purpose.

(b) Notwithstanding any other provisions of law, all fines and forfeited bail money from violations of statutes governing the maximum weight of motor vehicles, collected from persons apprehended or arrested by employees of the state of Minnesota, by means of stationary or portable scales operated by these employees, shall be paid by the person or officer collecting the fines or forfeited bail money, on or before the tenth day after the last day of the month in which the collections were made, to the county treasurer of the county where the violation occurred. Five-eighths of these receipts shall be transmitted by that officer to the state treasurer and shall be credited to the highway user tax distribution fund. Three-eighths of these receipts shall be credited to the general revenue fund of the county, except that in a county in a judicial district under section 480.181, subdivision 1, paragraph (b), as added in 1999 S.F. No. 2221, article 7, section 26, this three-eighths share must be transmitted to the state treasurer for deposit in the state treasury and credited to the general fund.

Sec. 5. Minnesota Statutes 1998, section 357.021, subdivision 1a, is amended to read:

Subd. 1a. [TRANSMITTAL OF FEES TO STATE TREASURER.] (a) Every person, including the state of Minnesota and all bodies politic and corporate, who shall transact any business in the district court, shall pay to the court administrator of said court the sundry fees prescribed in subdivision 2. Except as provided in paragraph (d), the court administrator shall transmit the fees monthly to the state treasurer for deposit in the state treasury and credit to the general fund.

(b) In a county which has a screener-collector position, fees paid by a county pursuant to this subdivision shall be transmitted monthly to the county treasurer, who shall apply the fees first to reimburse the county for the amount of the salary paid for the screener-collector position. The balance of the fees collected shall then be forwarded to the state treasurer for deposit in the state treasury and credited to the general fund. In a county in the eighth a judicial district under section 480.181, subdivision 1, paragraph (b), as added in 1999 S.F. No. 2221, article 7, section 26, which has a screener-collector position, the fees paid by a county shall be transmitted monthly to the state treasurer for deposit in the state treasury and credited to the general fund. A screener-collector position for purposes of this paragraph is an employee whose function is to increase the collection of fines and to review the incomes of potential clients of the public defender, in order to verify eligibility for that service.

(c) No fee is required under this section from the public authority or the party the public authority represents in an action for:

(1) child support enforcement or modification, medical assistance enforcement, or establishment of parentage in the district court, or child or medical support enforcement conducted by an administrative law judge in an administrative hearing under section 518.5511;

(2) civil commitment under chapter 253B;

(3) the appointment of a public conservator or public guardian or any other action under chapters 252A and 525;

(4) wrongfully obtaining public assistance under section 256.98 or 256D.07, or recovery of overpayments of public assistance;

(5) court relief under chapter 260;

(6) forfeiture of property under sections 169.1217 and 609.531 to 609.5317;

(7) recovery of amounts issued by political subdivisions or public institutions under sections 246.52, 252.27, 256.045, 256.25, 256.87, 256B.042, 256B.14, 256B.15, 256B.37, and 260.251, or other sections referring to other forms of public assistance;

(8) restitution under section 611A.04; or

(9) actions seeking monetary relief in favor of the state pursuant to section 16D.14, subdivision 5.

(d) The fees collected for child support modifications under subdivision 2, clause (13), must be transmitted to the county treasurer for deposit in the county general fund. The fees must be used by the county to pay for child support enforcement efforts by county attorneys.

Sec. 6. Minnesota Statutes 1998, 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.

(b) 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. 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)(i) For aids payable in 1998 and thereafter, the total aids paid to counties under section 477A.0122 are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3.

(ii) Aid payments to counties under section 477A.0122 in 2000 are further increased by an additional ~~\$30,000,000~~ \$20,000,000 in 2000.

(d) Aid payments to cities in 1999 under section 477A.013, subdivision 9, are limited to \$380,565,489. For aids payable in 2000 and 2001, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3. For aids payable in 2002, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3, and increased by the amount certified to be paid in 2001 under section 477A.06. For aids payable in 2003 and thereafter, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3. The additional amount authorized under subdivision 4 is not included when calculating the appropriation limits under this paragraph.

Sec. 7. Minnesota Statutes 1998, section 485.018, subdivision 5, is amended to read:

Subd. 5. [COLLECTION OF FEES.] The court administrator of district court shall charge and collect all fees as prescribed by law and all such fees collected by the court administrator as court administrator of district court shall be paid to the county treasurer. Except for those portions of forfeited bail paid to victims pursuant to existing law, the county treasurer shall forward all revenue from fees and forfeited bail collected under chapters 357, 487, and 574 to the state treasurer for deposit in the state treasury and credit to the general fund, unless otherwise provided in chapter 611A or other law, in the manner and at the times prescribed by the state treasurer, but not less often than once each month. If the defendant or probationer is located after forfeited bail proceeds have been forwarded to the state treasurer, the state treasurer shall reimburse the county, on request, for actual costs expended for extradition, transportation, or other costs necessary to return the defendant or probationer to the jurisdiction where the bail was posted, in an amount not more than the amount of forfeited bail. ~~All other money must be deposited in the county general fund unless otherwise provided by law.~~ The court administrator of district court shall not retain any additional compensation, per diem or other emolument for services as court administrator of district court, but may receive and retain mileage and expense allowances as prescribed by law.

Sec. 8. Minnesota Statutes 1998, section 487.02, subdivision 2, is amended to read:

Subd. 2. ~~Except as provided in this subdivision, the county board shall levy taxes annually against the taxable property within the county as necessary for the establishment, operation and maintenance of the county court or courts within the county. Any county in a judicial district under section 480.181, subdivision 1, paragraph (b), as added by 1999 S.F. No. 2221, article 7, section 26, is prohibited from levying property taxes for these purposes, except for any amounts necessary to pay the costs incurred in the first six months of calendar year 2000 with respect to counties in the fifth, seventh, and ninth judicial districts.~~

Sec. 9. Minnesota Statutes 1998, section 487.32, subdivision 3, is amended to read:

Subd. 3. A judge of a county court may order any sums forfeited to be reinstated and the ~~county~~ state treasurer shall then refund accordingly. The ~~county~~ state treasurer shall reimburse the court administrator if the court administrator refunds the deposit upon a judge's order and obtains a receipt to be used as a voucher.

Sec. 10. Minnesota Statutes 1998, section 487.33, subdivision 5, is amended to read:

Subd. 5. [ALLOCATION.] The court administrator shall provide the county treasurer with the name of the municipality or other subdivision of government where the offense was committed which employed or provided by contract the arresting or apprehending officer and the name of the municipality or other subdivision of government which employed the prosecuting attorney or otherwise provided for prosecution of the offense for each fine or penalty and the total amount of fines or penalties collected for each municipality or other subdivision of government. On or before the last day of each month, the county treasurer shall pay over to the treasurer of each municipality or subdivision of government within the county all fines or penalties for parking violations for which complaints and warrants have not been issued and one-third of all fines or penalties collected during the previous month for offenses committed within the municipality or subdivision of government from persons arrested or issued citations by officers employed by the municipality or subdivision or provided by the municipality or subdivision by contract. An additional one-third of all fines or penalties shall be paid to the municipality or subdivision of government providing prosecution of offenses of the type for which the fine or penalty is collected occurring within the municipality or subdivision, imposed for violations of state statute or of an ordinance, charter provision, rule or regulation of a city whether or not a guilty plea is entered or bail is forfeited. Except as provided in section 299D.03, subdivision 5, or as otherwise provided by law, all other fines and forfeitures and all fees and statutory court costs collected by the court administrator shall be paid to the county treasurer of the county in which the funds were collected who shall dispense them as provided by law. In a county in a judicial district under section 480.181, subdivision 1, paragraph (b), as added in 1999 S.F. No. 2221, article 7, section 26, all other fines, forfeitures, fees, and statutory court costs must be paid to the state treasurer for deposit in the state treasury and credited to the general fund.

Sec. 11. Minnesota Statutes 1998, section 574.34, subdivision 1, is amended to read:

Subdivision 1. [GENERAL.] Fines and forfeitures not specially granted or appropriated by law shall be paid into the treasury of the county where they are incurred, except in a county in a judicial district under section 480.181, subdivision 1, paragraph (b), as added in 1999 S.F. No. 2221, article 7, section 26, the fines and forfeitures must be deposited in the state treasury and credited to the general fund.

Sec. 12. [APPROPRIATION.]

\$18,848,866 is appropriated for fiscal year 2001 from the general fund to the district courts for purposes of funding the district court expenses under this article.

Sec. 13. [EFFECTIVE DATES; CONTINGENCY.]

(a) Sections 2 and 6 are effective for aids payable in 2000. The other provisions of this article providing for the transfer of fees and fines to the state are effective January 1, 2000, with respect to counties in the eighth judicial district, and July 1, 2000, with respect to counties in the fifth, seventh, and ninth judicial districts.

(b) Notwithstanding paragraph (a), this article does not take effect unless the state assumes the district court costs under 1999 S.F. No. 2221, article 7.

ARTICLE 10

TAX INCREMENT FINANCING

Section 1. Minnesota Statutes 1998, section 273.1399, subdivision 6, is amended to read:

Subd. 6. [EXEMPT DISTRICTS.] (a) The provisions of this section do not apply to exempt tax increment financing districts as specified by this subdivision.

(b) A tax increment financing district for an ethanol production facility that satisfies all of the following requirements is exempt:

(1) The district is an economic development district, that qualifies under section 469.176, subdivision 4c, paragraph (a), clause (1).

(2) The facility is certified by the commissioner of agriculture to qualify for state payments for ethanol development under section 41A.09 to the extent funds are available.

(3) Increments from the district are used only to finance the qualifying ethanol development project located in the district or to pay for administrative costs of the district.

(4) The district is located outside of the seven-county metropolitan area, as defined in section 473.121.

(5) The tax increment financing plan was approved by a resolution of the county board.

(6) The exemption provided by this paragraph applies until the first year after the total amount of increment for the district exceeds \$1,500,000. The county auditor shall notify the commissioner of revenue of the expiration of the exemption by June 1 of the year in which the auditor projects the revenues from increments will exceed \$1,500,000. On or before the expiration of the exemption, the municipality may elect to make a qualifying local contribution under paragraph (d) in lieu of the state aid reduction.

(c) A qualified housing district is exempt.

(d)(1) A district is exempt if the municipality elects at the time of approving the tax increment financing plan for the district to make a qualifying local contribution. To qualify for the exemption in each year, the authority or the municipality must make a qualifying local contribution equal to the listed percentages of increment from the district or subdistrict:

(A) for an economic development district, ~~a housing district~~, or a renewal and renovation district, ten percent;

(B) for a redevelopment district, a housing district, a mined underground space district, a hazardous substance subdistrict, or a soils condition district, five percent.

(2) If the municipality elects to make a qualifying contribution and fails to make the required contribution for a year, the state aid reduction applies for the year. The state aid reduction equals the greater of (A) the required local contribution or (B) the amount of the aid reduction that applies under subdivision 3. For a district exempt under paragraph (b), no qualifying local contribution is required for years in which the district is exempt.

(3)(A) If the sum of required local contributions for all districts in the municipality exceeds two percent of city net tax capacity as defined in section 477A.011, subdivision 20, for a year, the municipality's total required local contribution for that year is limited to two percent of net tax capacity to qualify for the exemption under this subdivision. The municipality may allocate the contribution among the districts on which it has made elections as it determines appropriate.

(B) If a municipality makes an election under this subdivision for a district in a year in which item (A) applies, a minimum annual qualifying contribution must be made for the district equal to the lesser of 0.25 percent of city net tax capacity or three percent of increment revenues. This minimum contribution applies for the life of the district for each year that the restriction in item (A) applies and is in addition to the contribution required by item (A).

(4) The amount of the local contribution must be made out of unrestricted money of the authority or municipality, such as the general fund, a property tax levy, or a federal or a state grant-in-aid which may be spent for general government purposes. The local contribution may not be made, directly or indirectly, with tax increments or developer payments as defined under section 469.1766. The local contribution must be used to pay project costs and cannot be used for general government purposes or for improvements or costs that the authority or municipality planned to incur absent the project. The authority or municipality may request contributions from other local government entities that will benefit from the district's activities. These contributions reduce the local contribution required of the municipality or authority by this paragraph. Cities, counties, towns, and schools may contribute to paying these costs, notwithstanding any other law to the contrary.

(5) The municipality may make a local contribution in excess of the required contribution for a year. If it does so, the municipality may credit the excess to a local contribution account for the district. The balance in the account may be used to meet the requirements for qualifying local contributions for later years. No interest or investment earnings may be credited or imputed to the account, except those (A) actually paid by the municipality out of its unrestricted funds or by another person or entity, other than a developer as used in section 469.1766, and (B) used as required for a qualifying local contribution.

(6) If the state contributes to the project costs through a direct grant or similar incentive, the required local contribution is reduced by one-half of the dollar amount of the state grant or other similar incentive.

Sec. 2. Minnesota Statutes 1998, section 469.176, subdivision 4g, is amended to read:

Subd. 4g. [GENERAL GOVERNMENT USE PROHIBITED.] (a) These revenues shall not be used to circumvent existing levy limit law. No revenues derived from tax increment from any district, whether certified before or after August 1, 1979, shall be used for the acquisition, construction, renovation, operation, or maintenance of a building to be used primarily and regularly for conducting the business of a municipality, county, school district, or any other local unit of government or the state or federal government or for a commons area used as a public park, or a facility used for social, recreational, or conference purposes. This provision shall not prohibit the use of revenues derived from tax increments for the construction or renovation of a parking structure, a commons area used as a public park, or a facility used for social, recreational, or conference purposes and not primarily for conducting the business of the municipality.

(b) If any publicly owned facility used for social, recreational, or conference purposes and financed in whole or in part from revenues derived from a district is operated or managed by an

entity other than the authority, the operating and management policies of the facility must be approved by the governing body of the authority.

(c) Tax increments may not be used to pay for the cost of public improvements, equipment, or other items, if:

(1) the improvements, equipment, or other items are located outside of the area of the tax increment financing district from which the increments were collected; and

(2) the improvements, equipment, or items that (i) primarily serve a decorative or aesthetic purpose, or (ii) serve a functional purpose, but their cost is increased by more than 100 percent as a result of the selection of materials, design, or type as compared with more commonly used materials, designs, or types for similar improvements, equipment, or items.

Sec. 3. Minnesota Statutes 1998, section 469.1763, is amended by adding a subdivision to read:

Subd. 6. [POOLING PERMITTED FOR DEFICITS.] (a) This subdivision applies only to districts for which the request for certification was made before June 2, 1997.

(b) The municipality for the district may transfer available increments from another tax increment financing district located in the municipality, if the transfer is necessary to eliminate a deficit in the district to which the increments are transferred. A deficit in the district for purposes of this subdivision means the lesser of the following two amounts:

(1)(i) the amount due during the calendar year to pay preexisting obligations of the district; minus

(ii) the total increments to be collected from properties located within the district that are available for the calendar year, plus

(iii) total increments from properties located in other districts in the municipality that are available to be used to meet the district's obligations under this section, excluding this subdivision, or other provisions of law (but excluding a special tax under section 469.1791 and the grant program under Laws 1997, chapter 231, article 1, section 19); or

(2) the reduction in increments collected from properties located in the district for the calendar year as a result of the changes in class rates in Laws 1997, chapter 231, article 1; Laws 1998, chapter 389, article 2; and article 6 of this act.

(c) A pre-existing obligation means bonds issued and sold before June 2, 1997, to the extent that the bonds are secured by a pledge of increments from the tax increment financing district. For purposes of this subdivision, bonds exclude an obligation to reimburse or pay a developer or owner of property located in the district for amounts incurred or paid by the developer or owner.

(d) The municipality may require a development authority, other than a seaway port authority, to transfer available increments for any of its tax increment financing districts in the municipality to make up an insufficiency in another district in the municipality, regardless of whether the district was established by the development authority or another development authority. This authority applies notwithstanding any law to the contrary, but applies only to a development authority that:

(1) was established by the municipality; or

(2) the governing body of which is appointed, in whole or part, by the municipality or an officer of the municipality or which consists, in whole or part, of members of the governing body of the municipality.

(e) The authority under this subdivision to spend tax increments outside of the area of the district from which the tax increments were collected:

(1) may only be exercised after obtaining approval of the use of the increments, in writing, by the commissioner of revenue;

(2) is an exception to the restrictions under the other provisions of this section and the percentage restrictions under subdivision 2 must be calculated after deducting increments spent under this subdivision from the total increments for the district; and

(3) applies notwithstanding the provisions of the tax increment financing act in effect for districts for which the request for certification was made before June 30, 1982, or any other law to the contrary.

Sec. 4. [469.1764] [PRE-1982 DISTRICTS; POOLING RULES.]

Subdivision 1. [SCOPE; APPLICATION.] (a) This section applies to a tax increment financing district or area added to a district, if the request for certification of the district or the area added to the district was made after July 31, 1979, and before July 1, 1982.

(b) This section, section 469.1763, subdivision 6, and any special law applying to the district enacted before the effective date of this section are the exclusive authority to spend tax increments on activities located outside of the geographic area of a tax increment financing district that is subject to this section.

(c) This section does not apply to increment from a district that is subject to the provisions of this section, if:

(1) the district was decertified before the enactment of this section; and

(2) all increments spent on activities located outside of the geographic area of the district were repaid and distributed as excess increments under section 469.176, subdivision 2.

Subd. 2. [STATE AUDITOR NOTIFICATION.] By August 1, 1999, the state auditor shall notify in writing each authority for which the auditor has records that the authority has a district subject to this section.

Subd. 3. [RATIFICATION OF PAST SPENDING.] (a) The following expenditures of increments on activities located outside of the geographic area of a district subject to this section are permitted:

(1) expenditures made before the earlier of (i) notification by the state auditor or (ii) December 31, 1999; and

(2) expenditures to pay pre-existing outside-district obligations.

Subd. 4. [DECERTIFICATION REQUIRED.] (a) The provisions of this subdivision apply to any tax increment financing district subject to this section, if increments from the district were used on activities located outside of the geographic area of the district.

(b) After December 31, 1999, any tax increments received by the authority from a district subject to this subdivision may be expended only to pay:

(1) pre-existing in-district obligations;

(2) pre-existing outside-district obligations; and

(3) administrative expenses.

After all pre-existing obligations have been paid or defeased, the district must be decertified and any remaining increments distributed as excess increments under section 469.176, subdivision 2.

Subd. 5. [DEFINITIONS.] (a) "Notification by the state auditor" means the receipt by the authority or the municipality of a written notification from the state auditor that its expenditures of increments from the district on activities located outside of the geographic area of the district were not in compliance with state law.



(b) "Pre-existing outside district obligations" mean:

(1) bonds secured by increments from a district subject to this section and used to finance activities outside the geographic area of the district, if the bonds were issued and the pledge of increment was made before the earlier of (i) notification by the state auditor or (ii) April 1, 1999;

(2) bonds issued to refund bonds qualifying under clause (1), if the refunding bonds do not increase the total amount of tax increments required to pay the refunded bonds; and

(3) binding written agreements secured by the increments from the district subject to this section and used to finance activities outside the geographic area of the district, if the agreement was entered before the earlier of (i) notification by the state auditor or (ii) May 1, 1999.

(c) "Pre-existing in-district obligations" mean:

(1) bonds secured by increments from a district subject to this section and not used to finance activities outside of the geographic area of the district, if the bonds were issued and the pledge of increments was made before April 1, 1999;

(2) bonds issued to refund bonds qualifying under clause (1), if the refunding bonds do not increase the total amount of tax increments required to pay the refunded bonds; and

(3) binding written agreements secured by increments from a district subject to this section and not used to finance activities outside of the geographic area of the district, if the agreements were entered into and the pledge of increments was made before May 1, 1999.

Sec. 5. Minnesota Statutes 1998, section 469.1771, subdivision 1, is amended to read:

Subdivision 1. [ENFORCEMENT.] (a) The owner of taxable property located in the city, town, school district, or county in which the tax increment financing district is located may bring suit for equitable relief or for damages, as provided in subdivisions 3 and 4, arising out of a failure of a municipality or authority to comply with the provisions of sections 469.174 to 469.179, or related provisions of this chapter. The prevailing party in a suit filed under the preceding sentence is entitled to costs, including reasonable attorney fees.

(b) The state auditor may examine and audit political subdivisions' use of tax increment financing. Without previous notice, the state auditor may examine or audit accounts and records on a random basis as the auditor deems to be in the public interest. If the state auditor finds evidence that an authority or municipality has violated a provision of the law for which a remedy is provided under this section, the state auditor shall forward the relevant information to the county attorney. The county attorney may bring an action to enforce the provisions of sections 469.174 to 469.179 or related provisions of this chapter, for matters referred by the state auditor or on behalf of the county. If the county attorney determines not to bring an action or if the county attorney has not brought an action within 12 months after receipt of the initial notification by the state auditor of the violation, the county attorney shall notify the state auditor in writing.

(c) If the state auditor finds an authority is not in compliance with sections 469.174 to 469.179 or related provisions of law, the auditor shall notify the governing body of the municipality that approved the tax increment financing district of its findings. The governing body of the municipality must respond in writing to the state auditor within 60 days after receiving the notification. Its written response must state whether the municipality accepts, in whole or part, the auditor's findings. If the municipality does not accept the findings, the statement must indicate the basis for its disagreement. The state auditor shall annually summarize the responses it receives under this section and send the summary and copies of the responses to the chairs of the committees of the legislature with jurisdiction over tax increment financing.

(d) The state auditor shall notify the commissioner of revenue in writing and provide supporting materials for a violation found by the auditor, if the:

(1) auditor receives notification from the county attorney under paragraph (b) or receives no notification for a 12-month period after initially notifying the county attorney and the state auditor

confirms with the county attorney or the municipality that no action has been brought regarding the matter; and

(2) municipality or development authority have not eliminated or resolved the violation to the satisfaction of the state auditor.

The auditor shall provide the municipality and development authority a copy of the notification sent to the commissioner of revenue.

Sec. 6. Minnesota Statutes 1998, section 469.1771, is amended by adding a subdivision to read:

Subd. 2b. [SUSPENSION OF TIF AUTHORITY.] (a) Upon receipt of a notification from the state auditor under subdivision 1, paragraph (d), the commissioner of revenue shall review the materials submitted by the auditor and the municipality and development authority. For a period of 30 days after the referral of the matter by the state auditor, the municipality or development authority may submit materials to the commissioner on the matter. If the commissioner finds that the municipality or development authority violated a provision of the law enumerated in subdivision 1 and that the violation was substantial, the commissioner shall suspend the authority of the municipality and development authority to exercise tax increment financing powers. The commissioner shall set the period of the suspension relative to the substantiality of the violation. The period of suspension may not exceed five years.

(b) For purposes of this subdivision, the exercise of tax increment financing powers means:

(1) the authority to request certification of a new tax increment financing district or the addition of area to an existing tax increment financing district;

(2) the authority to issue bonds under section 469.178;

(3) the authority to amend a tax increment financing plan to authorize new activities or expenditures.

(c) If an order is issued under this subdivision and no action has been filed under subdivision 1 before the effective date of the order, no action may be brought under subdivision 1 for the violation that is the subject of the order.

Sec. 7. Minnesota Statutes 1998, section 469.1791, subdivision 3, is amended to read:

Subd. 3. [PRECONDITIONS TO ESTABLISH DISTRICT.] (a) A city may establish a special taxing district within a tax increment financing district under this section only if the conditions under paragraphs (b) and (c) are met or if the city elects to exercise the authority under paragraph (d).

(b) The city has determined that:

(1) total tax increments from the district, including unspent increments from previous years and increments transferred under paragraph (c), will be insufficient to pay the amounts due in a year on preexisting obligations; and

(2) this insufficiency of increments resulted from the reduction in property tax class rates enacted in the 1997 and 1998 legislative sessions.

(c) The city has agreed to transfer any available increments from other tax increment financing districts in the city to pay the preexisting obligations of the district under section 469.1763, subdivision 6. This requirement does not apply to any available increments of a qualified housing district, as defined in section 273.1399, subdivision 1. Notwithstanding any law to the contrary, the city may require a development authority to transfer available increments for any of its tax increment financing districts in the city to make up an insufficiency in another district in the city, regardless of whether the district was established by the development authority or another development authority. Notwithstanding any law to the contrary, increments transferred under this authority must be spent to pay preexisting obligations. "Development authority" for this purpose means any authority as defined in section 469.174, subdivision 2.

(d) If a tax increment financing district does not qualify under paragraphs (b) and (c), the governing body may elect to establish a special taxing district under this section. If the city elects to exercise this authority, increments from the tax increment financing district and the proceeds of the tax imposed under this section may only be used to pay preexisting obligations and reasonable administrative expenses of the authority for the tax increment financing district. The tax increment financing district must be decertified when all preexisting obligations have been paid.

Sec. 8. Minnesota Statutes 1998, section 469.1813, subdivision 1, is amended to read:

Subdivision 1. [AUTHORITY.] The governing body of a political subdivision may grant an abatement of the taxes imposed by the political subdivision on a parcel of property, if:

(a) it expects the benefits to the political subdivision of the proposed abatement agreement to at least equal the costs to the political subdivision of the proposed agreement; and

(b) it finds that doing so is in the public interest because it will:

- (1) increase or preserve tax base;
- (2) provide employment opportunities in the political subdivision;
- (3) provide or help acquire or construct public facilities;
- (4) help redevelop or renew blighted areas; or
- (5) help provide access to services for residents of the political subdivision; or
- (6) finance or provide public infrastructure.

Sec. 9. Minnesota Statutes 1998, section 469.1813, subdivision 2, is amended to read:

Subd. 2. [ABATEMENT RESOLUTION.] The governing body of a political subdivision may grant an abatement only by adopting an abatement resolution, specifying the terms of the abatement. In the case of a town, the board of supervisors may approve the abatement resolution. The resolution must also include a specific statement as to the nature and extent of the public benefits which the governing body expects to result from the agreement. The resolution may provide that the political subdivision will retain or transfer to another political subdivision the abatement to pay for all or part of the cost of acquisition or improvement of public infrastructure, whether or not located on or adjacent to the parcel for which the tax is abated. The abatement may reduce all or part of the property tax levied by amount for the political subdivision on the parcel. A political subdivision's maximum annual amount for a parcel equals its total local tax rate multiplied by the total net tax capacity of the parcel. The political subdivision may limit the abatement:

- (1) to a specific dollar amount per year or in total;
- (2) to the increase in property taxes resulting from improvement of the property;
- (3) to the increases in property taxes resulting from increases in the market value or tax capacity of the property; or

(4) in any other manner the governing body of the subdivision determines is appropriate.

The political subdivision may not abate tax attributable to ~~the value of the land or the areawide tax~~ under chapter 276A or 473F, except as provided in this subdivision.

Sec. 10. Minnesota Statutes 1998, section 469.1813, subdivision 3, is amended to read:

Subd. 3. [~~SCHOOL DISTRICT ABATEMENT PROCEDURE ABATEMENTS.~~] ~~Notwithstanding the amounts in subdivision 2, a school district that grants an abatement under this section must limit the abatement for any property to not more than an amount equal to the product of: (1) the property's net tax capacity, and (2) the difference between the district's total tax rate for that year and one-half of the general education tax rate for that year. An abatement granted under~~

this section is not an abatement for purposes of state aid or local levy under sections 127A.40 to 127A.51.

Sec. 11. Minnesota Statutes 1998, section 469.1813, subdivision 6, is amended to read:

Subd. 6. [DURATION LIMIT.] ~~(a) A political subdivision other than a school district may grant an abatement for a period no longer than ten years. The subdivision may specify in the abatement resolution a shorter duration. If the resolution does not specify a period of time, the abatement is for eight years. If an abatement has been granted to a parcel of property and the period of the abatement has expired, the political subdivision that granted the abatement may not grant another abatement for eight years after the expiration of the first abatement. This prohibition does not apply to improvements added after and not subject to the first abatement.~~

~~(b) A school district may grant an abatement for only one year at a time. Once a school district has authorized an abatement for a property, it may reauthorize the abatement in any subsequent year for the next seven years, or nine years if provided in the original abatement agreement. This prohibition does not apply to improvements added after and not subject to the original abatement agreement.~~

Sec. 12. Minnesota Statutes 1998, section 469.1813, is amended by adding a subdivision to read:

Subd. 9. [CONSENT OF PROPERTY OWNER NOT REQUIRED.] A political subdivision may abate the taxes on a parcel under sections 469.1812 to 469.1815 without obtaining the consent of the property owner.

Sec. 13. Minnesota Statutes 1998, section 469.1815, subdivision 2, is amended to read:

Subd. 2. [PROPERTY TAXES; ABATEMENT PAYMENT.] The total property taxes shall be levied on the property and shall be due and payable to the county at the times provided under section 279.01. The political subdivision will pay the abatement to the property owner, lessee, or a representative of the bondholders or will retain the abatement to pay public infrastructure costs, as provided by the abatement resolution.

Sec. 14. Laws 1997, chapter 231, article 1, section 19, subdivision 1, is amended to read:

Subdivision 1. [TIF GRANTS.] (a) The commissioner of revenue shall pay grants to municipalities for deficits in tax increment financing districts caused by the changes in class rates under this act. Municipalities must submit applications for the grants in a form prescribed by the commissioner by no later than ~~March~~ August 1 for grants payable during the calendar year. The maximum grant equals the lesser of:

(1) for taxes payable in the year before the grant is paid, the reduction in the tax increment financing district's revenues derived from increment resulting from the class rate changes in this article, Laws 1998, chapter 389, article 2, and those enacted in the 1999 regular legislative session; or

(2) the municipality's total tax increments, including unspent increments from previous years, less the amount due during the calendar year to pay (i) bonds issued and sold before the day following final enactment of this act and (ii) binding contracts entered into before the day following final enactment of this act.

(b) The commissioner of revenue may require applicants for grants ~~or pooling authority~~ under this section to provide any information the commissioner deems appropriate. The commissioner shall calculate the amount under paragraph (a), clause (2), based on the reports for the tax increment financing district or districts filed with the state auditor on or before ~~July~~ August 1 of the year before the year in which the grant is to be paid.

(c) This subdivision applies only to deficits in tax increment financing districts for which:

(1) the request for certification was made before the enactment date of this act; and

(2) all timely reports have been filed with the state auditor, as required by Minnesota Statutes, section 469.175.

(d) The commissioner shall pay the grants under this subdivision by December 26 of the year.

(e) \$2,000,000 is appropriated to the commissioner of revenue to make grants under this section. This appropriation is available until expended or this section expires under subdivision 3, whichever is earlier. If the amount of grant entitlements for a year exceed the appropriation, the commissioner shall reduce each grant proportionately so the total equals the amount available.

Sec. 15. Laws 1997, chapter 231, article 1, section 19, subdivision 3, is amended to read:

Subd. 3. [EXPIRATION.] This section expires on January 1, ~~2001~~ 2002.

Sec. 16. [CITY OF ONAMIA; USE OF TAX INCREMENT FINANCING.]

Subdivision 1. [APPLICATION OF TIME LIMIT.] For tax increment financing district no. 1-1, established April 14, 1993, by the city of Onamia, Minnesota Statutes, section 469.1763, subdivision 3, applies to the district by permitting a period ending three years after the enactment of this section.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon approval by the governing body of the city of Onamia and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 17. [ST. CLOUD HOUSING AND REDEVELOPMENT AUTHORITY.]

Subdivision 1. [TAX INCREMENT POOLING.] Notwithstanding the provisions of Minnesota Statutes, section 469.1763, subdivision 2, and the provisions of the tax increment financing act in effect for districts established by the St. Cloud housing and redevelopment authority for which the request for certification was made after August 1, 1979, and before June 30, 1982, revenue derived from tax increments paid by properties in the districts may be expended through a development fund or otherwise within other tax increment districts established by the authority to finance the redevelopment of commercial properties outside of tax increment financing districts which were destroyed or impacted in a natural gas explosion on December 11, 1998.

Subd. 2. [EFFECTIVE DATE.] This section is effective the day after compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 18. [CITY OF ST. PAUL.]

Subdivision 1. [DELAY OF DEEMED COMMENCEMENT OF TAX INCREMENT FINANCING DISTRICT.] Notwithstanding Minnesota Statutes, section 469.176, or any other law to the contrary, the duration limit of the Williams Hill tax increment district in the city of St. Paul is determined as if the date of receipt of the first tax increment by the authority occurs when the aggregate of all tax increments received from the district reaches \$2,000. In no case may the duration limit of the district be extended by more than two years.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon approval by and compliance with Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3, by the governing body of the city of St. Paul.

Sec. 19. [CITY OF JACKSON; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [DISTRICT EXTENSION.] (a) Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1c, full tax increments from U.S. 71/I-90 tax increment financing district in the city of Jackson must be paid to and may be retained by the city of Jackson through taxes payable in 2002. The amount to be retained by the city is limited to \$170,000. Any increments received during the extension in excess of \$170,000 must be returned as excess increments under Minnesota Statutes, section 469.176, subdivision 2.

Subd. 2. [EFFECTIVE DATE.] This section is effective the day after compliance with Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3.

Sec. 20. [CITY OF MINNEOTA; TAX INCREMENT FINANCING.]

Subdivision 1. [ACTIONS RATIFIED.] The expenditure of tax increments on administrative expenses and public utility or other improvements by the city of Minneota for its tax increment financing district, adopted by city resolution 4-15-85A, are ratified and deemed to be authorized by the tax increment financing plan for the district.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon compliance by the governing body of the city of Minneota with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 21. [STEARNS COUNTY; TAX INCREMENT FINANCING.]

Subdivision 1. [RATIFICATION OF HOUSING AND REDEVELOPMENT AUTHORITY TAX INCREMENT FINANCING ACTIONS.] Except as provided in subdivision 2, all tax increments from tax increment financing districts numbers 15, 22, 58, and 68 established by the Stearns county housing and redevelopment authority expended before April 1, 1997, on any activity or program provided for in the tax increment financing plans, as amended through April 24, 1998, are ratified and approved and are conclusively deemed to be spent in compliance with applicable law. Any funds remaining in tax increment financing districts numbers 15 and 22 must be distributed as excess increments under Minnesota Statutes, section 469.176, subdivision 2. This section does not ratify expenditures of tax increments where the authority has returned the tax increments as excess increments before the enactment date of this section.

Subd. 2. [CONDITIONS.] The ratification under subdivision 1 is valid only if:

(1) the Stearns county housing and redevelopment authority decertifies tax increment financing districts numbers 58 and 68 as soon as all costs authorized by the tax increment financing plans are paid;

(2) any payments to the Stearns county housing and redevelopment authority associated with litigation, court action, or other settlement action relating to tax increment financing districts numbers 15, 22, 58, and 68, less any related legal fees and expenses, must be distributed as excess increments under Minnesota Statutes, section 469.176, subdivision 2; and

(3) the Stearns county housing and redevelopment authority repays the amount of all undocumented administrative expenses for the districts and these amounts are redistributed as excess increments under Minnesota Statutes, section 469.176, subdivision 2.

Subd. 3. [EFFECTIVE DATE.] This section is effective upon compliance by the governing body of Stearns county with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 22. [CITY OF FRIDLEY, TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [EXTENSION OF TIME.] (a) Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, upon approval of the governing body of the city of Fridley, the Fridley housing and redevelopment authority may, by resolution, extend the duration of tax increment financing district no. 6 located in the city of Fridley. The housing and redevelopment authority may not extend the duration beyond December 31, 2020.

(b) The provisions of Minnesota Statutes, sections 273.1399, subdivision 8, and 469.1782, subdivision 1, apply to this district if extended, except that the maximum state aid reduction for a year may not exceed the least of the following amounts:

(1) the amount under Minnesota Statutes, section 469.1782, subdivision 1; or

(2) \$200,000, plus one-half of (the amount under Minnesota Statutes, section 469.1782, subdivision 1, minus \$200,000); or

(3) 2.5 percent of the net tax capacity of the city.

(c) Notwithstanding any law to the contrary, effective upon approval of this section, no increments may be spent on activities located outside of the area of the district, other than for administrative expenses.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon compliance with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021.

Sec. 23. [CITY OF CHANHASSEN; TAX INCREMENT DISTRICT.]

Subdivision 1. [DISTRICT EXTENSION.] (a) Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1c, full tax increments from the city of Chanhassen's Downtown Redevelopment Tax Increment Financing District Number 1 must be paid to and may be retained by the city of Chanhassen for property taxes payable in 2001, 2002, and 2003.

(b) Increments permitted to be paid to and retained by the city under paragraph (a) may only be used to pay or defease bonds issued or other obligations incurred prior to September 2, 1998, the proceeds of which were used to fund public redevelopment costs within the redevelopment project or bonds issued to refund the bonds.

(c) The maximum amount of increments allowed to be retained under this section is limited to the amount that would qualify for a grant under Laws 1997, chapter 231, article 1, section 19, as amended.

Subd. 2. [EFFECTIVE DATE.] This section is effective the day after compliance with Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3.

Sec. 24. [APPROPRIATION; TIF GRANTS.]

\$1,000,000 is appropriated to the commissioner of revenue for purposes of grants under Laws 1997, chapter 231, article 1, section 19, to municipalities to offset deficits in tax increment financing districts.

Sec. 25. [REPEALER.]

Laws 1997, chapter 231, article 1, section 19, subdivision 2, is repealed.

Sec. 26. [EFFECTIVE DATE.]

Section 1 is effective for requests for certification of a new district or for the addition of geographic area to a district made after June 30, 1999.

Section 2 is effective for all tax increment financing districts, regardless of when the request for certification was made, but does not apply to expenditures made or binding contracts entered into before July 1, 1999.

Section 3 is effective for all districts for which the request for certification was made before June 2, 1997.

Section 4 is effective the day following final enactment and applies to districts for which the request for certification was made after July 31, 1979, and before July 1, 1982.

Sections 5 and 6 apply to all districts for which the request for certification was made after August 1, 1979, but is limited to findings of violations made by the state auditor after December 31, 1999.

Sections 7 to 15, and 25 are effective the day following final enactment.

## ARTICLE 11

### TAX FORFEITURE AND DELINQUENCY PROCEDURES

Section 1. Minnesota Statutes 1998, section 92.51, is amended to read:

92.51 [TAXATION; REDEMPTION; SPECIAL CERTIFICATE.]

State lands sold by the director become taxable. A description of the tract sold, with the name of the purchaser, must be transmitted to the proper county auditor. The auditor must extend the

land for taxation like other land. Only the interest in the land vested by the land sale certificate in its holder may be sold for delinquent taxes. Upon production to the county treasurer of the tax certificate given upon tax sale, in case the lands have not been redeemed, the tax purchaser has the right to pay the principal and interest then in default upon the land sale certificate as its assignee. To redeem from a tax sale, the person redeeming must pay the county treasurer, for the holder and owner of the tax sale certificate, in addition to all sums required to be paid in other cases, all amounts paid by the holder and owner for interest and principal upon the land sale certificate, with interest at 12 percent per year. When the director receives the tax certificate with the county auditor's certificate of the expiration of the time for redemption, and the county treasurer's receipt for all delinquent interest and penalty on the land sale certificate, the director shall issue the holder and owner of the tax certificate a special certificate with the same terms and the same effect as the original land sale certificate.

Sec. 2. Minnesota Statutes 1998, section 279.37, subdivision 1, is amended to read:

Subdivision 1. [COMPOSITION INTO ONE ITEM.] Delinquent taxes upon any parcel of real estate may be composed into one item or amount by confession of judgment at any time prior to the forfeiture of the parcel of land to the state for taxes, for the aggregate amount of all the taxes, costs, penalties, and interest accrued against the parcel, as hereinafter provided in this section. Taxes upon property which, for the previous year's assessment, was classified as mineral property, employment property, or commercial or industrial property shall are only be eligible to be composed into any confession of judgment under this section as provided in subdivision 1a. Delinquent taxes for property which has been reclassified from 4bb to 4b under section 273.1319 are not eligible to be composed into any confession of judgment pursuant to this subdivision. Delinquent taxes on unimproved land are eligible to be composed into a confession of judgment only if the land is classified as homestead, agricultural, or timberland in the previous year or is eligible for installment payment under subdivision 1a. The entire parcel is eligible for the ten-year installment plan as provided in subdivision 2 if 25 percent or more of the market value of the parcel is eligible for confession of judgment under this subdivision.

Sec. 3. Minnesota Statutes 1998, section 279.37, subdivision 1a, is amended to read:

Subd. 1a. [CLASS 3A PROPERTY.] (a) The delinquent taxes upon a parcel of property which was classified class 3a, for the previous year's assessment and had a total market value of less than \$200,000 or less for that same assessment shall be eligible to be composed into a confession of judgment. Property qualifying under this subdivision shall be subject to the same provisions as provided in this section except as herein provided in paragraphs (b) to (d).

(a) (b) Current year taxes and penalty due at the time the confession of judgment is entered must be paid.

(c) The down payment shall must include all special assessments due in the current tax year, all delinquent special assessments, and 20 percent of the ad valorem tax, penalties, and interest accrued against the parcel. The balance remaining shall be is payable in four equal annual installments; and

(b) (d) The amounts entered in judgment shall bear interest at the rate provided in section 279.03, subdivision 1a, commencing with the date the judgment is entered. The interest rate is subject to change each year on the unpaid balance in the manner provided in section 279.03, subdivision 1a.

Sec. 4. Minnesota Statutes 1998, section 279.37, subdivision 2, is amended to read:

Subd. 2. [INSTALLMENT PAYMENTS.] The owner of any such parcel, or any person to whom the right to pay taxes has been given by statute, mortgage, or other agreement, may make and file with the county auditor of the county wherein in which the parcel is located a written offer to pay the current taxes each year before they become delinquent, or to contest the taxes under Minnesota Statutes 1941, sections 278.01 to 278.13, and agree to confess judgment for the amount hereinbefore provided, as determined by the county auditor, and shall thereby waive. By filing the offer, the owner waives all irregularities in connection with the tax proceedings affecting the



parcel and any defense or objection which the owner may have to the proceedings, and shall ~~thereby waive~~ also waives the requirements of any notice of default in the payment of any installment or interest to become due pursuant to the composite judgment to be so entered, ~~and shall tender therewith.~~ With the offer, the owner shall tender one-tenth of the amount of the delinquent taxes, costs, penalty, and interest, and shall tender all current year taxes and penalty due at the time the confession of judgment is entered. In the offer, the owner shall agree therein to pay the balance in nine equal installments, with interest as provided in section 279.03, payable annually on installments remaining unpaid from time to time, on or before December 31 of each year following the year in which judgment was confessed, ~~which.~~ The offer shall must be substantially as follows:

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

..... Upon ~~which~~ that real estate there are delinquent taxes for the year ....., and prior years, as follows: (here insert year of delinquency and the total amount of delinquent taxes, costs, interest, and penalty) ~~do hereby.~~ By signing this document I offer to confess judgment in the sum of \$..... and hereby waive all irregularities in the tax proceedings affecting such these taxes and any defense or objection which I may have ~~thereto~~ to them, and direct judgment to be entered for the amount ~~hereby confessed~~ amount stated above, less minus the sum of \$....., hereby tendered to be paid with this document, being which is one-tenth of the amount of said the taxes, costs, penalty, and interest; stated above. I agree to pay the balance of ~~said the~~ judgment in nine equal, annual installments, with interest as provided in section 279.03, payable annually, on the installments remaining unpaid ~~from time to time, said.~~ I agree to pay the installments and interest ~~to be paid~~ on or before December 31 of each year following the year in which this judgment is confessed and current taxes each year before they become delinquent, or within 30 days after the entry of final judgment in proceedings to contest such the taxes under Minnesota Statutes 1941, sections 278.01 to 278.13.

Dated this ....., ....."

Sec. 5. Minnesota Statutes 1998, section 281.23, subdivision 2, is amended to read:

Subd. 2. [MAY COVER PARCELS BID IN AT SAME TAX SALE FORM.] All parcels of land bid in at the same tax judgment sale and having the same period of redemption shall be covered by a single posted notice, but a separate notice may be posted for any parcel which may be omitted. Such The notice of expiration of redemption must contain the tax parcel identification numbers and legal descriptions of parcels subject to notice of expiration of redemption provisions prescribed under subdivision 1. The notice must also indicate the names of taxpayers and fee owners of record in the office of the county auditor at the time the notice is prepared and names of those parties who have filed their addresses according to section 276.041 and the amount of payment necessary to redeem as of the date of the notice. At the option of the county auditor, the current filed addresses of affected persons may be included on the notice. The notice shall be is sufficient if substantially in the following form:

"NOTICE OF EXPIRATION OF REDEMPTION

Office of the County Auditor  
County of ....., State of Minnesota.

To all persons interested having an interest in the lands hereinafter described in this notice:

You are hereby notified that the parcels of land hereinafter described, situated in this notice and located in the county of ....., state of Minnesota, were ~~bid in for the state on the~~ ..... day of ....., ....., at the tax judgment sale of land for delinquent taxes for the year ....., that the legal descriptions and tax parcel identification numbers of such parcels and names of the taxpayers and fee owners and in addition those parties who have filed their addresses pursuant to section 276.041, and the amount necessary to redeem as of the date hereof

~~and, at the election of the county auditor, the current filed addresses of any such persons, are as follows: are subject to forfeiture to the state of Minnesota because of nonpayment of delinquent property taxes, special assessments, and/or penalty, interest, and costs levied on those parcels. The time for redemption from forfeiture expires if a redemption is not made by the later of (1) 60 days after service of this notice on all persons having an interest in the lands of record at the office of the county recorder or registrar of titles, or (2) by the second Monday in May. The redemption must be made in my office.~~

Names (and Current Filed Addresses) for the Taxpayers and Fee Owners and in Addition Those Parties Who Have Filed Their Addresses Pursuant to section 276.041	Legal Description	Tax Parcel Number	Amount Necessary to Redeem as of Date Hereof of Notice
.....	.....	.....	.....
.....	.....	.....	.....

~~That the time for redemption of such lands from such sale will expire 60 days after service of notice and the filing of proof thereof in my office, as provided by law. The redemption must be made in my office.~~

**FAILURE TO REDEEM SUCH THE LANDS PRIOR TO THE EXPIRATION  
OF REDEMPTION WILL RESULT IN THE LOSS OF THE LAND AND  
FORFEITURE OF SAID LAND TO THE STATE OF MINNESOTA.**

Inquiries as to ~~the~~ these proceedings set forth above can be made to the County Auditor for the ..... County of ....., whose address is set forth below.

Witness my hand and official seal this ..... day of ....., .....

.....  
County Auditor

(OFFICIAL SEAL)

.....  
(Address)  
.....  
(Telephone)."

~~Such~~ The notice ~~shall~~ must be posted by the auditor in the auditor's office, subject to public inspection, and ~~shall~~ must remain so posted until at least one week after the date of the last publication of notice, as hereinafter provided in this section. Proof of ~~such~~ posting shall must be made by the certificate of the auditor, filed in the auditor's office.

Sec. 6. Minnesota Statutes 1998, section 281.23, subdivision 4, is amended to read:

Subd. 4. [PROOF OF PUBLICATION.] An affidavit establishing proof of publication of ~~such~~ the notice affidavit, as provided by law, shall must be filed in the office of the county auditor. A single published notice ~~shall be sufficient for all~~ may include parcels of land bid in at the same different tax judgment sale sales, ~~having the same period~~ but included parcels must have a common year for expiration of redemption, and covered by a notice or notices kept posted during the time of the publication, as hereinbefore provided.

Sec. 7. Minnesota Statutes 1998, section 281.23, subdivision 6, is amended to read:

Subd. 6. [SERVICE OF NOTICE.] (a) ~~Forthwith~~ Immediately after the commencement of such publication or mailing the county auditor shall deliver to the sheriff of the county or any other person not less than 18 years of age a sufficient number of copies of ~~such~~ the notice of expiration of redemption for service ~~upon~~ on the persons in possession of all ~~parcels~~ of such land ~~as are~~ actually occupied, and documentation if the certified mail notice was returned as undeliverable or the notice was not mailed to the address associated with the property. Within 30 days after receipt ~~thereof~~ of the notice, the sheriff or other person serving the notice shall ~~make such investigation~~ investigate as may be necessary to ascertain whether or not the parcels covered by ~~such~~ the notice are actually occupied parcels, and shall serve a copy of ~~such~~ the notice of expiration of redemption upon the person in possession of each parcel found to be an occupied parcel, in the manner prescribed for serving summonses in a civil action. If the sheriff or another person serving the notice has made at least two attempts to serve the notice of expiration of redemption, one between the weekday hours of 8:00 a.m. and 5:00 p.m. and the other on a different day and different time period, the sheriff or another person serving the notice may accomplish this service by posting a copy of the notice of expiration of redemption on a conspicuous location on the parcel. The sheriff or other person serving the notice shall make prompt return to the auditor as to all notices so served and as to all parcels found vacant and unoccupied and parcels served by posting. ~~Such~~ The return ~~shall~~ must be made ~~upon~~ on a copy of ~~such~~ the notice and ~~shall be is~~ is prima facie evidence of the facts ~~therein~~ stated in it.

If the notice is served by the sheriff, the sheriff shall receive from the county, in addition to other compensation prescribed by law, ~~such~~ fees and mileage for service on persons in possession as ~~are~~ prescribed by law for such service in other cases, and shall also receive ~~such~~ compensation for making investigation and return as to vacant and unoccupied lands as the county board may fix, subject to appeal to the district court as in case of other claims against the county. As to either service upon persons in possession or return as to vacant lands, the sheriff shall charge mileage only for one trip if the occupants of more than two tracts are served simultaneously, and in such case mileage ~~shall~~ must be prorated and charged equitably against all such owners.

(b) The secretary of state shall receive sheriff's service for all out-of-state interests.

Sec. 8. Minnesota Statutes 1998, section 282.01, subdivision 1, is amended to read:

Subdivision 1. [CLASSIFICATION AS CONSERVATION OR NONCONSERVATION.] It is the general policy of this state to encourage the best use of tax-forfeited lands, recognizing that some lands in public ownership should be retained and managed for public benefits while other lands should be returned to private ownership. Parcels of land becoming the property of the state in trust under law declaring the forfeiture of lands to the state for taxes ~~shall~~ must be classified by the county board of the county in which the parcels lie as conservation or nonconservation. In making the classification the board shall consider the present use of adjacent lands, the productivity of the soil, the character of forest or other growth, accessibility of lands to established roads, schools, and other public services, their peculiar suitability or desirability for particular uses and the suitability of the forest resources on the land for multiple use, sustained yield management. The classification, furthermore, must encourage and foster a mode of land utilization that will facilitate the economical and adequate provision of transportation, roads, water supply, drainage, sanitation, education, and recreation; facilitate reduction of governmental expenditures; conserve and develop the natural resources; and foster and develop agriculture and other industries in the districts and places best suited to them.

In making the classification the county board may use information made available by any office or department of the federal, state, or local governments, or by any other person or agency possessing pertinent information at the time the classification is made. The lands may be reclassified from time to time as the county board ~~may consider~~ considers necessary or desirable, except for conservation lands held by the state free from any trust in favor of any taxing district.

If the lands are located within the boundaries of an organized town, with taxable valuation in excess of \$20,000, or incorporated municipality, the classification or reclassification and sale must first be approved by the town board of the town or the governing body of the municipality in

which the lands are located. The town board of the town or the governing body of the municipality is considered to have approved the classification or reclassification and sale if the county board is not notified of the disapproval of the classification or reclassification and sale within ~~90~~ 60 days of the date the request for approval was transmitted to the town board of the town or governing body of the municipality. If the town board or governing body desires to acquire any parcel lying in the town or municipality by procedures authorized in this section, it must file a written application with the county board to withhold the parcel from public sale. The application must be filed within ~~90~~ 60 days of the request for classification or reclassification and sale. The county board shall then withhold the parcel from public sale for ~~one year~~ six months. A municipality or governmental subdivision shall pay maintenance costs incurred by the county during the six-month period while the property is withheld from public sale, provided the property is not offered for public sale after the six-month period. A clerical error made by county officials does not serve to eliminate the request of the town board or governing body if the board or governing body has forwarded the application to the county auditor.

Sec. 9. Minnesota Statutes 1998, section 282.01, subdivision 4, is amended to read:

Subd. 4. [SALE: METHOD, REQUIREMENTS, EFFECTS.] The sale ~~shall~~ must be conducted by the county auditor at the county seat of the county in which the parcels lie, ~~provided except that, in St. Louis and Koochiching counties, the sale may be conducted in any county facility within the county, and.~~ The parcels ~~shall~~ must be sold for cash only and at not less than the appraised value, unless the county board ~~of the county shall have~~ has adopted a resolution providing for their sale on terms, in which event the resolution ~~shall control~~ controls with respect ~~thereto~~ to the sale. When the sale is made on terms other than for cash only (1) a payment of at least ten percent of the purchase price must be made at the time of purchase, thereupon and the balance shall must be paid in no more than ten equal annual installments, or (2) the payments must be made in accordance with county board policy, but in no event may the board require more than 12 installments annually, and the contract term must not be for more than ten years. ~~No~~ Standing timber or timber products ~~shall must not~~ must not be removed from these lands until an amount equal to the appraised value of all standing timber or timber products on the lands at the time of purchase has been paid by the purchaser; ~~provided, that in case any. If a parcel of land bearing standing timber or timber products is sold at public auction for more than the appraised value, the amount bid in excess of the appraised value shall must be allocated between the land and the timber in proportion to the their respective appraised values thereof, and no. In that case, standing timber or timber products shall must not be removed from the land until the amount of the excess bid allocated to timber or timber products has been paid in addition to the appraised value thereof of the land.~~ The purchaser is entitled to immediate possession, subject to the provisions of any existing valid lease made in behalf of the state.

For sales occurring on or after July 1, 1982, the unpaid balance of the purchase price is subject to interest at the rate determined pursuant to section 549.09. The unpaid balance of the purchase price for sales occurring after December 31, 1990, is subject to interest at the rate determined in section 279.03, subdivision 1a. The interest rate is subject to change each year on the unpaid balance in the manner provided for rate changes in section 549.09 or 279.03, subdivision 1a, whichever, is applicable. Interest on the unpaid contract balance on sales occurring before July 1, 1982, is payable at the rate applicable to the sale at the time that the sale occurred.

Sec. 10. Minnesota Statutes 1998, section 282.01, subdivision 7, is amended to read:

Subd. 7. [COUNTY SALES; NOTICE, PURCHASE PRICE, DISPOSITION.] The sale ~~herein provided for shall~~ must commence at ~~such~~ the time as determined by the county board of the county ~~wherein such in which the parcels lie, shall direct are located.~~ The county auditor shall offer the parcels of land in order in which they appear in the notice of sale, and shall sell them to the highest bidder, but not for a less sum ~~less~~ than the appraised value, until all of the parcels of land ~~shall have been offered, and thereafter.~~ Then the county auditor shall sell any remaining parcels to anyone offering to pay the appraised value ~~thereof, except that if the person could have repurchased a parcel of property under section 282.012 or 282.241, that person shall not be allowed to~~ may not purchase that same parcel of property at the sale under this subdivision for a purchase price ~~less~~ less than the sum of all delinquent taxes and, assessments, penalties, interest, and

costs due at the time of forfeiture computed under section 282.251, together with penalties, interest, and costs that accrued or would have accrued if the parcel had not forfeited to the state and any special assessments for improvements certified as of the date of sale. Said The sale shall ~~must~~ continue until all such the parcels are sold or until the county board shall order orders a reappraisal or shall withdraw withdraws any or all such of the parcels from sale. Such The list of lands may be added to and the added lands may be sold at any time by publishing the descriptions and appraised values of such. The added lands must be: (1) parcels of land as shall that have become forfeited and classified as nonconservation since the commencement of any prior sale of such; (2) parcels as shall that have been reappraised, or such; (3) parcels as shall that have been reclassified as nonconservation; or such (4) other parcels as that are subject to sale but were omitted from the existing list for any reason. The descriptions and appraised values must be published in the same manner as hereinafter provided for the publication of the original list, ~~provided that any~~. Parcels added to such the list shall ~~must~~ first be offered for sale to the highest bidder before they are sold at appraised value. All parcels of land not offered for immediate sale, as well as parcels of such lands as that are offered and not immediately sold shall, continue to be held in trust by the state for the taxing districts interested in each of said the parcels, under the supervision of the county board, ~~and such~~. Those parcels may be used for public purposes until sold, as directed by the county board ~~may direct~~.

Sec. 11. Minnesota Statutes 1998, section 282.04, subdivision 2, is amended to read:

Subd. 2. [RIGHTS BEFORE SALE; IMPROVEMENTS, INSURANCE, DEMOLITION.] Until after the sale of a parcel of forfeited land the county auditor may, with the approval of the county board of commissioners, provide for the repair and improvement of any building or structure located upon such the parcel, and may provide for maintenance of tax-forfeited lands, if it is determined by the county board that such repairs or, improvements, or maintenance are necessary for the operation, use, preservation and safety thereof; ~~and, of the building or structure~~. If so authorized by the county board, the county auditor may insure any such the building or structure against loss or damage resulting from fire or windstorm, may purchase workers' compensation insurance to insure the county against claims for injury to the persons therein employed in the building or structure by the county, and may insure the county, its officers and employees against claims for injuries to persons or property because of the management, use or operation of such the building or structure. Such The county auditor may, with the approval of the county board, provide for the demolition of any such the building or structure, which has been determined by the county board to be within the purview of section 299F.10, and for the sale of salvaged materials therefrom from the building or structure. Such The county auditor, with the approval of the county board, may provide for the sale of abandoned personal property under either chapter 345 or 566, as appropriate. The net proceeds from any sale of such the personal property, salvaged materials, of timber or other products, or leases made under this law shall ~~must~~ be deposited in the forfeited tax sale fund and shall ~~must~~ be distributed in the same manner as if the parcel had been sold.

Such The county auditor, with the approval of the county board, may provide for the demolition of any structure or structures on tax-forfeited lands, if in the opinion of the county board, the county auditor, and the land commissioner, if there be is one, the sale of such the land with such the structure or structures thereon on it, or the continued existence of such the structure or structures by reason of age, dilapidated condition or excessive size as compared with nearby structures, will result in a material lessening of net tax capacities of real estate in the vicinity of such the tax-forfeited lands, or if the demolition of such the structure or structures will aid in disposing of such the tax-forfeited property.

Before the sale of a parcel of forfeited land located in an urban area, the county auditor may with the approval of the county board provide for the grading thereof of the land by filling or the removal of any surplus material therefrom, and where from it. If the physical condition of forfeited lands is such that a reasonable grading thereof of the lands is necessary for the protection and preservation of the property of any adjoining owner, such the adjoining property owner or owners may ~~make application apply~~ to the county board to have such the grading done. If, after considering said the application, the county board believes that such the grading will enhance the value of such the forfeited lands commensurate with the cost involved, it may approve the same it,

and ~~any such~~ the work shall must be performed under the supervision of the county or city engineer, as the case may be, and the expense thereof paid from the forfeited tax sale fund.

Sec. 12. Minnesota Statutes 1998, section 282.05, is amended to read:

282.05 [PROCEEDS APPORTIONED.]

The net proceeds received from the sale or rental of forfeited lands shall be apportioned to the general funds of the state or municipal subdivision thereof, in the manner hereinafter provided, and shall must be first used by the municipal subdivision ~~to retire any indebtedness then existing as provided in section 282.08.~~

Sec. 13. Minnesota Statutes 1998, section 282.08, is amended to read:

282.08 [APPORTIONMENT OF PROCEEDS TO TAXING DISTRICTS.]

The net proceeds from the sale or rental of any parcel of forfeited land, or from the sale of ~~any~~ products ~~therefrom~~ from the forfeited land, shall must be apportioned by the county auditor to the taxing districts interested ~~therein~~ in the land, as follows:

(1) ~~Such~~ the portion as ~~may be~~ required to pay any amounts included in the appraised value under section 282.01, subdivision 3, as representing increased value due to any public improvement made after forfeiture of ~~such~~ the parcel to the state, but not exceeding the amount certified by the clerk of the municipality, shall must be apportioned to the municipal subdivision entitled ~~thereto~~ to it;

(2) ~~Such~~ the portion as ~~may be~~ required to pay any amount included in the appraised value under section 282.019, subdivision 5, representing increased value due to response actions taken after forfeiture of ~~such~~ the parcel to the state, but not exceeding the amount of expenses certified by the pollution control agency or the commissioner of agriculture, shall must be apportioned to the agency or the commissioner of agriculture and deposited in the fund ~~from~~ which the expenses were paid;

(3) ~~Such~~ the portion of the remainder as ~~may be~~ required to discharge any special assessment chargeable against ~~such~~ the parcel for drainage or other purpose whether due or deferred at the time of forfeiture, shall must be apportioned to the municipal subdivision entitled ~~thereto~~ to it; and

(4) any balance shall must be apportioned as follows:

~~(a) Any~~ (i) ~~The~~ county board may annually by resolution set aside no more than 30 percent of the receipts remaining to be used for timber development on tax-forfeited land and dedicated memorial forests, to be expended under the supervision of the county board. It shall must be expended only on projects approved by the commissioner of natural resources.

~~(b) Any~~ (ii) ~~The~~ county board may annually by resolution set aside no more than 20 percent of the receipts remaining to be used for the acquisition and maintenance of county parks or recreational areas as defined in sections 398.31 to 398.36, to be expended under the supervision of the county board.

~~(c) If the board does not avail itself of the authority under paragraph (a) or (b)~~ (iii) Any balance remaining shall must be apportioned as follows: county, 40 percent; town or city, 20 percent; and school district, 40 percent, and if the board avails itself of the authority under paragraph (a) or (b) the balance remaining shall be apportioned among the county, town or city, and school district in the proportions in this paragraph above stated, provided, however, that in unorganized territory that portion which ~~should~~ would have accrued to the township shall must be administered by the county board of commissioners.

Sec. 14. Minnesota Statutes 1998, section 282.09, is amended to read:

282.09 [FORFEITED TAX SALE FUND.]

Subdivision 1. [MONEY PLACED IN FUND; FEES AND DISBURSEMENTS.] The county

auditor and county treasurer shall place all money received through the operation of sections 282.01 to 282.13 in a fund to be known as the forfeited tax sale fund, and all disbursements and costs shall must be charged against that fund, when allowed by the county board. Members of the county board may be paid a per diem pursuant to section 375.055, subdivision 1, and reimbursed for their necessary expenses, and may receive mileage as fixed by law. The amount of compensation of a land commissioner and assistants, if a land commissioner is appointed, shall must be in the amount determined by the county board. The county auditor shall must receive 50 cents for each certificate of sale, each contract for deed and each lease executed by the auditor, and, in counties where no land commissioner is appointed, additional annual compensation, not exceeding \$300, as fixed by the county board. The amount of compensation of any other clerical help that may be needed by the county auditor or land commissioner shall must be in the amount determined by the county board. All compensation provided for herein shall be in this subdivision is in addition to other compensation allowed by law. Fees so charged in addition to the fee imposed in section 282.014 shall must be included in the annual settlement by the county auditor as hereinafter provided. On or before February 1 each year, the commissioner of revenue shall certify to the commissioner of finance, by counties, the total number of state deeds issued and reissued during the preceding calendar year for which such fees are charged and the total amount thereof of fees. On or before March 1 each year, each county shall remit to the commissioner of revenue, from the forfeited tax sale fund, the aggregate amount of the fees imposed by section 282.014 in the preceding calendar year. The commissioner of revenue shall deposit the amounts received in the state treasury to the credit of the general fund. When disbursements are made from the fund for repairs, refunds, expenses of actions to quiet title, or any other purpose which particularly affects specific parcels of forfeited lands, the amount of such the disbursements shall must be charged to the account of the taxing districts interested in such parcels forfeited tax sale fund. The county auditor shall make an annual settlement of the net proceeds received from sales and rentals by the operation of sections 282.01 to 282.13, on the settlement day determined in section 276.09, for the preceding calendar year.

Subd. 2. [EXPENDITURES.] In all counties, ~~from said "Forfeited Tax Sale Fund,"~~ the authorities ~~duly charged with the execution of~~ responsible for carrying out the duties imposed by sections 282.01 to 282.13, at their discretion, may expend moneys ~~in repairing from the forfeited tax sale fund to repair any sewer or water main either inside or outside of any curb line situated along any property forfeited to the state for nonpayment of taxes, to acquire and maintain equipment used exclusively for the maintenance and improvement of tax-forfeited lands, and to cut down, otherwise destroy or eradicate noxious weeds on all tax-forfeited lands.~~ In any year, the money to be expended for the cutting down, destruction or eradication of noxious weeds shall not exceed in amount more than ten percent of the net proceeds of said "Forfeited Tax Sale Fund" during the preceding calendar year, or \$10,000, whichever is the lesser sum, and to maintain tax-forfeited lands.

Sec. 15. Minnesota Statutes 1998, section 282.241, is amended to read:

282.241 [REPURCHASE AFTER FORFEITURE.]

The owner at the time of forfeiture, or the owner's heirs, devisees, or representatives, or any person to whom the right to pay taxes was given by statute, mortgage, or other agreement, may repurchase any parcel of land claimed by the state to be forfeited to the state for taxes unless before the time repurchase is made the parcel is sold under installment payments, or otherwise, by the state as provided by law, or is under mineral prospecting permit or lease, or proceedings have been commenced by the state or any of its political subdivisions or by the United States to condemn ~~such the~~ parcel of land. The parcel of land may be repurchased for the sum of all delinquent taxes and assessments computed under section 282.251, together with penalties, interest, and costs, that accrued or would have accrued if the parcel of land had not forfeited to the state. Except for property which was homesteaded on the date of forfeiture, ~~such repurchase shall be is~~ permitted during one year only from the date of forfeiture, and in any case only after the adoption of a resolution by the board of county commissioners determining that ~~thereby by~~ repurchase undue hardship or injustice resulting from the forfeiture will be corrected, or that ~~permitting such~~ the repurchase will promote the use of ~~such the~~ lands that will best serve the public interest. If the county board has good cause to believe that a repurchase installment

payment plan for a particular parcel is unnecessary and not in the public interest, the county board may require as a condition of repurchase that the entire repurchase price be paid at the time of repurchase. A repurchase ~~shall be~~ is subject to any easement, lease, or other encumbrance granted by the state ~~prior thereto~~ before the repurchase, and if said the land is located within a restricted area established by any county under Laws 1939, chapter 340, ~~such the~~ repurchase shall must not be permitted unless said the resolution with respect thereto approving the repurchase is adopted by the unanimous vote of the board of county commissioners.

The person seeking to repurchase under this section shall pay all maintenance costs incurred by the county auditor during the time the property was tax-forfeited.

Sec. 16. Minnesota Statutes 1998, section 282.261, subdivision 4, is amended to read:

Subd. 4. [SERVICE FEE.] The county auditor may collect a service fee to cover administrative costs as set by the county board for each repurchase ~~contract approved~~ application received after July 1, 1985. The fee ~~shall~~ must be paid at the time of repurchase application and shall must be credited to the county general revenue fund.

Sec. 17. Minnesota Statutes 1998, section 282.261, is amended by adding a subdivision to read:

Subd. 5. [COUNTY MAY IMPOSE CONDITIONS OF REPURCHASE.] The county auditor, after receiving county board approval, may impose conditions on repurchase of tax-forfeited lands limiting the use of the parcel subject to the repurchase, including, but not limited to: environmental remediation action plan restrictions or covenants; easements for lines or equipment for telephone, telegraph, electric power, or telecommunications.

Sec. 18. Minnesota Statutes 1998, section 283.10, is amended to read:

283.10 [APPLICATION MUST BE MADE WITHIN TWO YEARS.]

~~No such refundment~~ refund shall be granted unless an application ~~therefor shall be duly~~ for refund is approved and presented to the commissioner of revenue within two years from the date of such tax certificate or the state assignment certificate.

Sec. 19. Minnesota Statutes 1998, section 375.192, subdivision 2, is amended to read:

Subd. 2. [PROCEDURE, CONDITIONS.] Upon written application by the owner of any property, the county board may grant the reduction or abatement of estimated market valuation or taxes and of any costs, penalties, or interest on them as the board deems just and equitable and order the refund in whole or part of any taxes, costs, penalties, or interest which have been erroneously or unjustly paid. Except as provided in sections 469.1812 to 469.1815, no reduction or abatement may be granted on the basis of providing an incentive for economic development or redevelopment. Except as provided in section 375.194, the county board ~~is authorized to~~ may consider and grant reductions or abatements on applications only as they relate to taxes payable in the current year and the two prior years; provided that reductions or abatements for the two prior years shall be considered or granted only for (i) clerical errors, or (ii) when the taxpayer fails to file for a reduction or an adjustment due to hardship, as determined by the county board. The application must include the social security number of the applicant. The social security number is private data on individuals as defined by section 13.02, subdivision 12. All applications must be approved by the county assessor, or, if the property is located in a city of the first or second class having a city assessor, by the city assessor, and by the county auditor before consideration by the county board, except that the part of the application which is for the abatement of penalty or interest must be approved by the county treasurer and county auditor. Approval by the county or city assessor is not required for abatements of penalty or interest. No reduction, abatement, or refund of any special assessments made or levied by any municipality for local improvements shall be made unless it is also approved by the board of review or similar taxing authority of the municipality. ~~Before taking action~~ On any reduction or abatement where when the reduction of taxes, costs, penalties, and interest exceed \$10,000, the county board shall give 20 days<sup>2</sup> notice within 20 days to the school board and the municipality in which the property is located. The notice must describe the property involved, the actual amount of the reduction being sought, and



~~the reason for the reduction. If the school board or the municipality object to the granting of the reduction or abatement, the county board must refer the abatement or reduction to the commissioner of revenue with its recommendation. The commissioner shall consider the abatement or reduction under section 270.07, subdivision 1.~~

An appeal may not be taken to the tax court from any order of the county board made in the exercise of the discretionary authority granted in this section.

The county auditor shall notify the commissioner of revenue of all abatements resulting from the erroneous classification of real property, for tax purposes, as nonhomestead property. For the abatements relating to the current year's tax processed through June 30, the auditor shall notify the commissioner on or before July 31 of that same year of all abatement applications granted. For the abatements relating to the current year's tax processed after June 30 through the balance of the year, the auditor shall notify the commissioner on or before the following January 31 of all applications granted. The county auditor shall submit a form containing the social security number of the applicant and such other information the commissioner prescribes.

Sec. 20. Minnesota Statutes 1998, section 383C.482, subdivision 1, is amended to read:

Subdivision 1. [AUDITOR TO SEARCH RECORDS; CERTIFICATES.] The St. Louis county auditor, upon written application of any person, shall ~~make search of~~ the records of the auditor's office and the county treasurer's office, and ascertain the amount of current tax against any lot or parcel of land described in the application and the existence of all tax liens and tax sales as to ~~such~~ the lot or parcel of land, and certify the result of ~~such~~ the search under the seal of office, giving the description of the lot or parcel of land, the amount of the current tax, if any, and all tax liens and tax sales shown by such records, and the amount ~~thereof~~ of liens and tax sales, the year of tax covered by ~~such~~ the lien, and the date of tax sale, ~~and the name of the purchaser at such tax sale.~~ For the purpose of ascertaining the current tax against ~~such~~ a lot or parcel of land, the county auditor has the right of access to the records of current taxes in the office of the county treasurer.

Sec. 21. [REPEALER.]

Minnesota Statutes 1998, sections 92.22; 280.27; 281.13; 281.38; 284.01; 284.02; 284.03; 284.04; 284.05; and 284.06, are repealed.

Sec. 22. [EFFECTIVE DATES.]

This article is effective September 1, 1999, except that sections 11, and 13 to 15 are effective beginning January 1, 2000, and except that section 12 is effective for net proceeds received after the date of final enactment of this act.

## ARTICLE 12 WATER AND SANITARY SEWER DISTRICTS

Section 1. [CEDAR LAKE AREA WATER AND SANITARY SEWER DISTRICT; DEFINITIONS.]

Subdivision 1. [APPLICATION.] In sections 1 to 19, the definitions in this section apply.

Subd. 2. [DISTRICT.] "Cedar lake area water and sanitary sewer district" and "district" mean the area over which the Cedar lake area water and sanitary sewer board has jurisdiction, which includes the area within the city of New Prague and Helena and Cedar Lake townships in Scott county. The district shall precisely describe the area over which it has jurisdiction by a metes and bounds description in the comprehensive plan adopted pursuant to section 5. The territory may not be larger than the area encompassed by the Cedar Lake improvement district, but it may be smaller and the area may include a route along public rights-of-way from Cedar Lake to the city of New Prague along which the sewer main is laid.

Subd. 3. [BOARD.] "Water and sanitary sewer board" or "board" means the Cedar lake area water and sanitary sewer board established for the district as provided in subdivision 2.

Subd. 4. [PERSON.] "Person" means an individual, partnership, corporation, limited liability company, cooperative, or other organization or entity, public or private.

Subd. 5. [LOCAL GOVERNMENTAL UNITS.] "Local governmental units" or "governmental units" means Scott county, the city of New Prague, and Helena and Cedar Lake Townships in Scott county.

Subd. 6. [ACQUISITION; BETTERMENT.] "Acquisition" and "betterment" have the meanings given in Minnesota Statutes, section 475.51.

Subd. 7. [AGENCY.] "Agency" means the Minnesota pollution control agency created in Minnesota Statutes, section 116.02.

Subd. 8. [SEWAGE.] "Sewage" means all liquid or water-carried waste products from whatever sources derived, together with any groundwater infiltration and surface water as may be present.

Subd. 9. [POLLUTION OF WATER; SEWER SYSTEM.] "Pollution of water" and "sewer system" have the meanings given in Minnesota Statutes, section 115.01.

Subd. 10. [TREATMENT WORKS; DISPOSAL SYSTEM.] "Treatment works" and "disposal system" have the meanings given in Minnesota Statutes, section 115.01.

Subd. 11. [INTERCEPTOR.] "Interceptor" means a sewer and its necessary appurtenances, including but not limited to mains, pumping stations, and sewage flow-regulating and -measuring stations, that is:

(1) designed for or used to conduct sewage originating in more than one local governmental unit;

(2) designed or used to conduct all or substantially all the sewage originating in a single local governmental unit from a point of collection in that unit to an interceptor or treatment works outside that unit; or

(3) determined by the board to be a major collector of sewage used or designed to serve a substantial area in the district.

Subd. 12. [DISTRICT DISPOSAL SYSTEM.] "District disposal system" means any and all interceptors or treatment works owned, constructed, or operated by the board unless designated by the board as local water and sanitary sewer facilities.

Subd. 13. [MUNICIPALITY.] "Municipality" means any town or home rule charter or statutory city.

Subd. 14. [TOTAL COSTS.] "Total costs of acquisition and betterment" and "costs of acquisition and betterment" mean all acquisition and betterment expenses permitted to be financed out of stopped bond proceeds issued in accordance with section 13, whether or not the expenses are in fact financed out of the bond proceeds.

Subd. 15. [CURRENT COSTS.] "Current costs of acquisition, betterment, and debt service" means interest and principal estimated to be due during the budget year on bonds issued to finance said acquisition and betterment and all other costs of acquisition and betterment estimated to be paid during the year from funds other than bond proceeds and federal or state grants.

Subd. 16. [RESIDENT.] "Resident" means the owner of a dwelling located in the district and receiving water or sewer service.

## Sec. 2. [WATER AND SANITARY SEWER BOARD.]

Subdivision 1. [ESTABLISHMENT.] A water and sanitary sewer district is established in Helena and Cedar Lake townships and the city of New Prague in Scott county, to be known as the Cedar lake area water and sanitary sewer district. The water and sewer district is under the control

and management of the Cedar lake area water and sanitary sewer board. The board is established as a public corporation and political subdivision of the state with perpetual succession and all the rights, powers, privileges, immunities, and duties granted to or imposed upon a municipal corporation, as provided in sections 1 to 19.

Subd. 2. [MEMBERS AND SELECTION.] The board is composed of seven members selected as provided in this subdivision. Each of the town boards of the townships shall meet to appoint two residents to the water and sanitary sewer board. The township appointees must live on Cedar lake and must be served by the system. One member must be selected by the city of New Prague. Two members must be selected by the Scott county board of commissioners. Each member has one vote. The first terms are as follows: two for one year, two for two years, and three for three years, fixed by lot at the district's first meeting. Thereafter, all terms are for three years.

Subd. 3. [TIME LIMITS FOR SELECTION.] The board members must be selected as provided in subdivision 2 within 60 days after sections 1 to 19 are effective. The successor to each board member must be selected at any time within 60 days before the expiration of the member's term in the same manner as the predecessor was selected. A vacancy on the board must be filled within 60 days after it occurs.

Subd. 4. [VACANCIES.] If the office of a board member becomes vacant, the vacancy must be filled for the unexpired term in the manner provided for selection of the member who vacated the office. The office is deemed vacant under the conditions specified in Minnesota Statutes, section 351.02.

Subd. 5. [REMOVAL.] A board member may be removed by the unanimous vote of the governing body appointing the member, with or without cause, or for malfeasance or nonfeasance in the performance of official duties as provided by Minnesota Statutes, sections 351.14 to 351.23.

Subd. 6. [CERTIFICATES OF SELECTION; OATH OF OFFICE.] A certificate of selection of every board member selected under subdivision 2 stating the term for which selected, must be made by the respective town clerks. The certificates, with the approval appended by other authority, if required, must be filed with the secretary of state. Counterparts thereof must be furnished to the board member and the secretary of the board. Each member shall qualify by taking and subscribing the oath of office prescribed by the Minnesota Constitution, article 5, section 8. The oath, duly certified by the official administering the same, must be filed with the secretary of state and the secretary of the board.

Subd. 7. [BOARD MEMBERS' COMPENSATION.] Each board member, except the chair, must be paid a per diem compensation of \$35 for meetings and for other services as are specifically authorized by the board, not to exceed \$1,000 in any one year. The chair may be paid a per diem compensation of \$45 for meetings and for other services specifically authorized by the board, not to exceed \$1,500 in any one year. All members of the board must be reimbursed for all reasonable and necessary expenses actually incurred in the performance of duties.

Sec. 3. [GENERAL PROVISIONS FOR ORGANIZATION AND OPERATION OF BOARD.]

Subdivision 1. [ORGANIZATION; OFFICERS; MEETINGS; SEAL.] After the selection and qualification of all board members, the board must meet to organize the board at the call of any two board members, upon seven days' notice by registered mail to the remaining board members, at a time and place within the district specified in the notice. A majority of the members is a quorum at that meeting and all other meetings of the board, but a lesser number may meet and adjourn from time to time and compel the attendance of absent members. At the first meeting the board shall select its officers and conduct other organizational business as may be necessary. Thereafter the board shall meet regularly at the time and place that the board designates by resolution. Special meetings may be held at any time upon call of the chair or any two members, upon written notice sent by mail to each member at least three days before the meeting, or upon other notice as the board by resolution may provide, or without notice if each member is present or files with the secretary a written consent to the meeting either before or after the meeting. Except as otherwise provided in sections 1 to 19, any action within the authority of the board may be

taken by the affirmative vote of a majority of the board and may be taken by regular or adjourned regular meeting or at a duly held special meeting, but in any case only if a quorum is present. Meetings of the board must be open to the public. The board may adopt a seal, which must be officially and judicially noticed, to authenticate instruments executed by its authority, but omission of the seal does not affect the validity of any instrument.

Subd. 2. [CHAIR.] The board shall elect a chair from its membership. The term of the first chair of the board expires on January 1, 2001, and the terms of successor chairs expire on January 1 of each succeeding year. The chair shall preside at all meetings of the board, if present, and shall perform all other duties and functions usually incumbent upon such an officer, and all administrative functions assigned to the chair by the board. The board shall elect a vice-chair from its membership to act for the chair during temporary absence or disability.

Subd. 3. [SECRETARY AND TREASURER.] The board shall select persons who may, but need not be, members of the board, to act as its secretary and treasurer. The two offices may be combined. The secretary and treasurer shall hold office at the pleasure of the board, subject to the terms of any contract of employment that the board may enter into with the secretary or treasurer. The secretary shall record the minutes of all meetings of the board, and be the custodian of all books and records of the board except those that the board entrusts to the custody of a designated employee. The treasurer is the custodian of all money received by the board except as the board otherwise entrusts to the custody of a designated employee. The board may appoint a deputy to perform any and all functions of either the secretary or the treasurer. A secretary or treasurer who is not a member of the board or a deputy of either does not have the right to vote.

Subd. 4. [PUBLIC EMPLOYEES.] The executive director and other persons employed by the district are public employees and have all the rights and duties conferred on public employees under Minnesota Statutes, sections 179A.01 to 179A.25. The board may elect to have employees become members of either the public employees retirement association or the Minnesota state retirement system. The compensation and conditions of employment of the employees must be governed by rules applicable to state employees in the classified service and to the provisions of Minnesota Statutes, chapter 15A.

Subd. 5. [PROCEDURES.] The board shall adopt resolutions or bylaws establishing procedures for board action, personnel administration, keeping records, approving claims, authorizing or making disbursements, safekeeping funds, and auditing all financial operations of the board.

Subd. 6. [SURETY BONDS AND INSURANCE.] The board may procure surety bonds for its officers and employees, in amounts deemed necessary to ensure proper performance of their duties and proper accounting for funds in their custody. It may procure insurance against risks to property and liability of the board and its officers, agents, and employees for personal injuries or death and property damage and destruction, in amounts deemed necessary or desirable, with the force and effect stated in Minnesota Statutes, chapter 466.

#### Sec. 4. [GENERAL POWERS OF BOARD.]

Subdivision 1. [SCOPE.] The board has all powers necessary or convenient to discharge the duties imposed upon it by law. The powers include those specified in this section, but the express grant or enumeration of powers does not limit the generality or scope of the grant of powers contained in this subdivision.

Subd. 2. [SUIT.] The board may sue or be sued.

Subd. 3. [CONTRACT.] The board may enter into any contract necessary or proper for the exercise of its powers or the accomplishment of its purposes.

Subd. 4. [GIFTS, GRANTS, LOANS.] The board may accept gifts, apply for and accept grants or loans of money or other property from the United States, the state, or any person for any of its purposes, enter into any agreement required in connection with them, and hold, use, and dispose of the money or property in accordance with the terms of the gift, grant, loan, or agreement relating

to it. With respect to loans or grants of funds or real or personal property or other assistance from any state or federal government or its agency or instrumentality, the board may contract to do and perform all acts and things required as a condition or consideration for the gift, grant, or loan pursuant to state or federal law or regulations, whether or not included among the powers expressly granted to the board in sections 1 to 19.

Subd. 5. [COOPERATIVE ACTION.] The board may act under Minnesota Statutes, section 471.59, or any other appropriate law providing for joint or cooperative action between governmental units.

Subd. 6. [STUDIES AND INVESTIGATIONS.] The board may conduct research studies and programs, collect and analyze data, prepare reports, maps, charts, and tables, and conduct all necessary hearings and investigations in connection with the design, construction, and operation of the district disposal system.

Subd. 7. [EMPLOYEES, TERMS.] The board may employ on terms it deems advisable, persons or firms performing engineering, legal, or other services of a professional nature; require any employee to obtain and file with it an individual bond or fidelity insurance policy; and procure insurance in amounts it deems necessary against liability of the board or its officers or both, for personal injury or death and property damage or destruction, with the force and effect stated in Minnesota Statutes, chapter 466, and against risks of damage to or destruction of any of its facilities, equipment, or other property as it deems necessary.

Subd. 8. [PROPERTY RIGHTS, POWERS.] The board may acquire by purchase, lease, condemnation, gift, or grant, any real or personal property including positive and negative easements and water and air rights, and it may construct, enlarge, improve, replace, repair, maintain, and operate any interceptor, treatment works, or water facility determined to be necessary or convenient for the collection and disposal of sewage in the district. Any local governmental unit and the commissioners of transportation and natural resources are authorized to convey to or permit the use of any of the above-mentioned facilities owned or controlled by it, by the board, subject to the rights of the holders of any bonds issued with respect to those facilities, with or without compensation, without an election or approval by any other governmental unit or agency. All powers conferred by this subdivision may be exercised both within or without the district as may be necessary for the exercise by the board of its powers or the accomplishment of its purposes. The board may hold, lease, convey, or otherwise dispose of the above-mentioned property for its purposes upon the terms and in the manner it deems advisable. Unless otherwise provided, the right to acquire lands and property rights by condemnation may be exercised only in accordance with Minnesota Statutes, sections 117.011 to 117.232, and applies to any property or interest in the property owned by any local governmental unit. Property devoted to an actual public use at the time, or held to be devoted to such a use within a reasonable time, must not be so acquired unless a court of competent jurisdiction determines that the use proposed by the board is paramount to the existing use. Except in the case of property in actual public use, the board may take possession of any property on which condemnation proceedings have been commenced at any time after the issuance of a court order appointing commissioners for its condemnation.

Subd. 9. [RELATIONSHIP TO OTHER PROPERTIES.] The board may construct or maintain its systems or facilities in, along, on, under, over, or through public waters, streets, bridges, viaducts, and other public rights-of-way without first obtaining a franchise from a county or municipality having jurisdiction over them. However, the facilities must be constructed and maintained in accordance with the ordinances and resolutions of the county or municipality relating to constructing, installing, and maintaining similar facilities on public properties and must not unnecessarily obstruct the public use of those rights-of-way.

Subd. 10. [DISPOSAL OF PROPERTY.] The board may sell, lease, or otherwise dispose of any real or personal property acquired by it which is no longer required for accomplishment of its purposes. The property may be sold in the manner provided by Minnesota Statutes, section 469.065, insofar as practical. The board may give notice of sale as it deems appropriate. When the board determines that any property or any part of the district disposal system acquired from a local governmental unit without compensation is no longer required but is required as a local facility by

the governmental unit from which it was acquired, the board may by resolution transfer it to that governmental unit.

Subd. 11. [AGREEMENTS WITH OTHER GOVERNMENTAL UNITS.] The board may contract with the United States or any agency thereof, any state or agency thereof, or any regional public planning body in the state with jurisdiction over any part of the district, or any other municipal or public corporation, or governmental subdivision or agency or political subdivision in any state, for the joint use of any facility owned by the board or such entity, for the operation by that entity of any system or facility of the board, or for the performance on the board's behalf of any service, including but not limited to planning, on terms as may be agreed upon by the contracting parties. Unless designated by the board as a local water and sanitary sewer facility, any treatment works or interceptor jointly used, or operated on behalf of the board, as provided in this subdivision, is deemed to be operated by the board for purposes of including those facilities in the district disposal system.

Sec. 5. [COMPREHENSIVE PLAN.]

Subdivision 1. [BOARD PLAN AND PROGRAM.] The board shall adopt a comprehensive plan for the collection, treatment, and disposal of sewage in the district for a designated period the board deems proper and reasonable. The board shall prepare and adopt subsequent comprehensive plans for the collection, treatment, and disposal of sewage in the district for each succeeding designated period as the board deems proper and reasonable. All comprehensive plans of the district shall be subject to the planning and zoning authority of Scott county and in conformance with all planning and zoning ordinances of Scott county. The first plan, as modified by the board, and any subsequent plan shall take into account the preservation and best and most economic use of water and other natural resources in the area; the preservation, use, and potential for use of lands adjoining waters of the state to be used for the disposal of sewage; and the impact the disposal system will have on present and future land use in the area affected. In no case shall the comprehensive plan provide for more than 325 connections to the disposal system. All connections must be charged a full assessment. Connections made after the initial assessment period ends must be charged an amount equal to the initial assessment plus an adjustment for inflation and plus any other charges determined to be reasonable and necessary by the board. Deferred assessments may be permitted, as provided for in Minnesota Statutes, chapter 429. The plans shall include the general location of needed interceptors and treatment works, a description of the area that is to be served by the various interceptors and treatment works, a long-range capital improvements program, and any other details as the board deems appropriate. In developing the plans, the board shall consult with persons designated for the purpose by governing bodies of any governmental unit within the district to represent the entities and shall consider the data, resources, and input offered to the board by the entities and any planning agency acting on behalf of one or more of the entities. Each plan, when adopted, must be followed in the district and may be revised as often as the board deems necessary.

Subd. 2. [COMPREHENSIVE PLANS; HEARING.] Before adopting any subsequent comprehensive plan, the board shall hold a public hearing on the proposed plan at a time and place in the district that it selects. The hearing may be continued from time to time. Not less than 45 days before the hearing, the board shall publish notice of the hearing in a newspaper having general circulation in the district, stating the date, time, and place of the hearing, and the place where the proposed plan may be examined by any interested person. At the hearing, all interested persons must be permitted to present their views on the plan.

Sec. 6. [POWERS TO ISSUE OBLIGATIONS AND IMPOSE SPECIAL ASSESSMENTS.]

The Cedar lake area water and sanitary sewer board, in order to implement the powers granted under sections 1 to 19 to establish, maintain, and administer the Cedar lake area water and sanitary sewer district, may issue obligations and impose special assessments against benefited property within the limits of the district benefited by facilities constructed under sections 1 to 19 in the manner provided for local governments by Minnesota Statutes, chapter 429.

Sec. 7. [SYSTEM EXPANSION; APPLICATION TO CITIES.]

The authority of the water and sanitary sewer board to establish water or sewer or combined water and sewer systems under this section extends to areas within the Cedar lake area water and sanitary sewer district organized into cities when requested by resolution of the governing body of the affected city or when ordered by the Minnesota pollution control agency after notice and hearing. For the purpose of any petition filed or special assessment levied with respect to any system, the entire area to be served within a city must be treated as if it were owned by a single person, and the governing body shall exercise all the rights and be subject to all the duties of an owner of the area, and shall have power to provide for the payment of all special assessments and other charges imposed upon the area with respect to the system by the appropriation of money, the collection of service charges, or the levy of taxes, which shall be subject to no limitation of rate or amount.

Sec. 8. [SEWAGE COLLECTION AND DISPOSAL; POWERS.]

Subdivision 1. [POWERS.] In addition to all other powers conferred upon the board in sections 1 to 19, it has the powers specified in this section.

Subd. 2. [DISCHARGE OF TREATED SEWAGE.] The board may discharge the effluent from any treatment works operated by it into any waters of the state, subject to approval of the agency if required and in accordance with any effluent or water quality standards lawfully adopted by the agency, any interstate agency, or any federal agency having jurisdiction.

Subd. 3. [UTILIZATION OF DISTRICT SYSTEM.] The board may require any person or local governmental unit to provide for the discharge of any sewage, directly or indirectly, into the district disposal system, or to connect any disposal system or a part of it with the district disposal system wherever reasonable opportunity for connection is provided; may regulate the manner in which the connections are made; may require any person or local governmental unit discharging sewage into the disposal system to provide preliminary treatment for it; may prohibit the discharge into the district disposal system of any substance that it determines will or may be harmful to the system or any persons operating it; and may require any local governmental unit to discontinue the acquisition, betterment, or operation of any facility for the unit's disposal system wherever and so far as adequate service is or will be provided by the district disposal system.

Subd. 4. [SYSTEM OF COST RECOVERY TO COMPLY WITH APPLICABLE REGULATIONS.] Any charges, connection fees, or other cost-recovery techniques imposed on persons discharging sewage directly or indirectly into the district disposal system must comply with applicable state and federal law, including state and federal regulations governing grant applications.

Sec. 9. [BUDGET.]

(a) The board shall prepare and adopt, on or before October 1 in 2000 and each year thereafter, a budget showing for the following calendar year or other fiscal year determined by the board, sometimes referred to in sections 1 to 19 as the budget year, estimated receipts of money from all sources, including but not limited to payments by each local governmental unit, federal or state grants, taxes on property, and funds on hand at the beginning of the year, and estimated expenditures for:

(1) costs of operation, administration, and maintenance of the district disposal system;

(2) cost of acquisition and betterment of the district disposal system; and

(3) debt service, including principal and interest, on general obligation bonds and certificates issued pursuant to section 13, and any money judgments entered by a court of competent jurisdiction.

(b) Expenditures within these general categories, and any other categories as the board may from time to time determine, must be itemized in detail as the board prescribes. The board and its officers, agents, and employees must not spend money for any purpose other than debt service without having set forth the expense in the budget nor in excess of the amount set forth in the budget for it. No obligation to make an expenditure of the above-mentioned type is enforceable

except as the obligation of the person or persons incurring it. The board may amend the budget at any time by transferring from one purpose to another any sums except money for debt service and bond proceeds or by increasing expenditures in any amount by which actual cash receipts during the budget year exceed the total amounts designated in the original budget. The creation of any obligation under section 13, or the receipt of any federal or state grant is a sufficient budget designation of the proceeds for the purpose for which it is authorized, and of the tax or other revenue pledged to pay the obligation and interest on it, whether or not specifically included in any annual budget.

Sec. 10. [ALLOCATION OF COSTS.]

Subdivision 1. [DEFINITION OF CURRENT COSTS.] The estimated cost of administration, operation, maintenance, and debt service of the district disposal system to be paid by the board in each fiscal year and the estimated costs of acquisition and betterment of the system that are to be paid during the year from funds other than state or federal grants and bond proceeds and all other previously unallocated payments made by the board pursuant to sections 1 to 19 to be allocated in the fiscal year are referred to as current costs and must be allocated by the board as provided in subdivision 2 in the budget for that year.

Subd. 2. [METHOD OF ALLOCATION OF CURRENT COSTS.] Current costs must be allocated in the district on an equitable basis as the board may determine by resolution to be in the best interests of the district. The adoption or revision of any method of allocation used by the board must be by the affirmative vote of at least two-thirds of the members of the board.

Sec. 11. [TAX LEVIES.]

To accomplish any duty imposed on it the board may, in addition to the powers granted in sections 1 to 19 and in any other law or charter, exercise the powers granted any municipality by Minnesota Statutes, chapters 117, 412, 429, 475, sections 115.46, 444.075, and 471.59, with respect to the area in the district. The board may levy taxes upon all taxable property in the district for all or a part of the amount payable to the board, pursuant to section 10, to be assessed and extended as a tax upon that taxable property by the county auditor for the next calendar year, free from any limit of rate or amount imposed by law or charter. The tax must be collected and remitted in the same manner as other general taxes.

Sec. 12. [PUBLIC HEARING AND SPECIAL ASSESSMENTS.]

Subdivision 1. [PUBLIC HEARING REQUIREMENT ON SPECIFIC PROJECT.] Before the board orders any project involving the acquisition or betterment of any interceptor or treatment works, all or a part of the cost of which will be allocated pursuant to section 10 as current costs, the board must hold a public hearing on the proposed project. The hearing must be held following two publications in a newspaper having general circulation in the district, stating the time and place of the hearing, the general nature and location of the project, the estimated total cost of acquisition and betterment, that portion of costs estimated to be paid out of federal and state grants, and that portion of costs estimated to be allocated. The estimates must be best available at the time of the meeting and if costs exceed the estimate, the project cannot proceed until an additional public hearing is held, with notice as required at the initial meeting. The two publications must be a week apart and the hearing at least three days after the last publication. Not less than 45 days before the hearing, notice of the hearing must also be mailed to each clerk of all local governmental units in the district, but failure to give mailed notice or any defects in the notice does not invalidate the proceedings. The project may include all or part of one or more interceptors or treatment works. A hearing must not be held on a project unless the project is within the area covered by the comprehensive plan adopted by the board under section 5, except that the hearing may be held simultaneously with a hearing on a comprehensive plan. A hearing is not required with respect to a project, no part of the costs of which are to be allocated as the current costs of acquisition, betterment, and debt service.

Subd. 2. [NOTICE TO BENEFITED PROPERTY OWNERS.] If the board proposes to assess against benefited property within the district all or any part of the allocable costs of the project as provided in subdivision 5, the board shall, not less than two weeks before the hearing provided for



in subdivision 1, cause mailed notice of the hearing to be given to the owner of each parcel within the area proposed to be specially assessed and shall also give two weeks' published notice of the hearing. The notice of hearing must contain the same information provided in the notice published by the board pursuant to subdivision 1, and a description of the area proposed to be assessed. For the purpose of giving mailed notice, owners are those shown to be on the records of the county auditor or, in any county where tax statements are mailed by the county treasurer, on the records of the county treasurer; but other appropriate records may be used for this purpose. For properties that are tax exempt or subject to taxation on a gross earnings basis and not listed on the records of the county auditor or the county treasurer, the owners must be ascertained by any practicable means and mailed notice given them as herein provided. Failure to give mailed notice or any defects in the notice does not invalidate the proceedings of the board.

Subd. 3. [BOARD PROCEEDINGS PERTAINING TO HEARING.] Before adoption of the resolution calling for a hearing under this section, the board shall secure from the district engineer or some other competent person of the board's selection a report advising it in a preliminary way as to whether the proposed project is feasible and whether it should be made as proposed or in connection with some other project and the estimated costs of the project as recommended. No error or omission in the report invalidates the proceeding. The board may also take other steps before the hearing, as will in its judgment provide helpful information in determining the desirability and feasibility of the project, including but not limited to preparation of plans and specifications and advertisement for bids on them. The hearing may be adjourned from time to time and a resolution ordering the project may be adopted at any time within six months after the date of hearing. In ordering the project the board may reduce but not increase the extent of the project as stated in the notice of hearing and shall find that the project as ordered is in accordance with the comprehensive plan and program adopted by the board pursuant to section 5.

Subd. 4. [EMERGENCY ACTION.] If the board by resolution adopted by the affirmative vote of not less than two-thirds of its members determines that an emergency exists requiring the immediate purchase of materials or supplies or the making of emergency repairs, it may order the purchase of those supplies and materials and the making of the repairs before any hearing required under this section. The board must set as early a date as practicable for the hearing at the time it declares the emergency. All other provisions of this section must be followed in giving notice of and conducting the hearing. Nothing in this subdivision prevents the board or its agents from purchasing maintenance supplies or incurring maintenance costs without regard to the requirements of this section.

Subd. 5. [POWER OF THE BOARD TO SPECIALLY ASSESS.] The board may specially assess all or any part of the costs of acquisition and betterment as provided in this subdivision, of any project ordered under this section. The special assessments must be levied in accordance with Minnesota Statutes, sections 429.051 to 429.081, except as otherwise provided in this subdivision. No other provisions of Minnesota Statutes, chapter 429, apply. For purposes of levying the special assessments, the hearing on the project required in subdivision 1 serves as the hearing on the making of the original improvement provided for by Minnesota Statutes, section 429.051. The area assessed may be less than but may not exceed the area proposed to be assessed as stated in the notice of hearing on the project provided for in subdivision 2.

### Sec. 13. [BONDS, CERTIFICATES, AND OTHER OBLIGATIONS.]

Subdivision 1. [BUDGET ANTICIPATION CERTIFICATES OF INDEBTEDNESS.] At any time after adoption of its annual budget and in anticipation of the collection of tax and other revenues estimated and set forth by the board in the budget, except in the case of deficiency taxes levied under this subdivision and taxes levied for the payment of certificates issued under subdivision 2, the board may, by resolution, authorize the issuance, negotiation, and sale, in accordance with subdivision 4 in the form and manner and upon terms it determines, of its negotiable general obligation certificates of indebtedness in aggregate principal amounts not exceeding 50 percent of the total amount of tax collections and other revenues, and maturing not later than three months after the close of the budget year in which issued. The proceeds of the sale of the certificates must be used solely for the purposes for which the tax collections and other revenues are to be expended under the budget.

All the tax collections and other revenues included in the budget for the budget year, after the expenditure of the tax collections and other revenues in accordance with the budget, must be irrevocably pledged and appropriated to a special fund to pay the principal and interest on the certificates when due. If for any reason the tax collections and other revenues are insufficient to pay the certificates and interest when due, the board shall levy a tax in the amount of the deficiency on all taxable property in the district and shall appropriate this amount when received to the special fund.

Subd. 2. [EMERGENCY CERTIFICATES OF INDEBTEDNESS.] If in any budget year the receipts of tax and other revenues should for some unforeseen cause become insufficient to pay the board's current expenses, or if any public emergency should subject it to the necessity of making extraordinary expenditures, the board may by resolution authorize the issuance, negotiation, and sale, in accordance with subdivision 4 in the form and manner and upon the terms and conditions it determines, of its negotiable general obligation certificates of indebtedness in an amount sufficient to meet the deficiency. The board shall levy on all taxable property in the district a tax sufficient to pay the certificates and interest on the certificates and shall appropriate all collections of the tax to a special fund created for the payment of the certificates and the interest on them. Certificates issued under this subdivision mature not later than April 1 in the year following the year in which the tax is collectible.

Subd. 3. [GENERAL OBLIGATION BONDS.] The board may by resolution authorize the issuance of general obligation bonds for the acquisition or betterment of any part of the district disposal system, including but without limitation the payment of interest during construction and for a reasonable period thereafter, or for the refunding of outstanding bonds, certificates of indebtedness, or judgments. The board shall pledge its full faith and credit and taxing power for the payment of the bonds and shall provide for the issuance and sale and for the security of the bonds in the manner provided in Minnesota Statutes, chapter 475. The board has the same powers and duties as a municipality issuing bonds under that law, except that no election is required and the debt limitations of Minnesota Statutes, chapter 475, do not apply to the bonds. The board may also pledge for the payment of the bonds and deduct from the amount of any tax levy required under Minnesota Statutes, section 475.61, subdivision 1, and any revenues receivable under any state and federal grants anticipated by the board and may covenant to refund the bonds if and when and to the extent that for any reason the revenues, together with other funds available and appropriated for that purpose, are not sufficient to pay all principal and interest due or about to become due, provided that the revenues have not been anticipated by the issuance of certificates under subdivision 1.

Subd. 4. [MANNER OF SALE AND ISSUANCE OF CERTIFICATES.] Certificates issued under subdivisions 1 and 2 may be issued and sold by negotiation, without public sale, and may be sold at a price equal to the percentage of the par value of the certificates, plus accrued interest, and bearing interest at the rate determined by the board. An election is not required to authorize the issuance of the certificates. The certificates must bear the same rate of interest after maturity as before and the full faith and credit and taxing power of the board must be pledged to the payment of the certificates.

#### Sec. 14. [DEPOSITORIES.]

The board shall designate one or more national or state banks, or trust companies authorized to do a banking business, as official depositories for money of the board, and shall require the treasurer to deposit all or a part of the money in those institutions. The designation must be in writing and set forth all the terms and conditions upon which the deposits are made, and must be signed by the chair and treasurer and made a part of the minutes of the board.

#### Sec. 15. [MONEY, ACCOUNTS, AND INVESTMENTS.]

Subdivision 1. [RECEIPT AND APPLICATION.] Money received by the board must be deposited or invested by the treasurer and disposed of as the board may direct in accordance with its budget; provided that any money that has been pledged or dedicated by the board to the payment of obligations or interest on the obligations or expenses incident thereto, or for any other specific purpose authorized by law, must be paid by the treasurer into the fund to which it has been pledged.

Subd. 2. [FUNDS AND ACCOUNTS.] (a) The board's treasurer shall establish funds and accounts as may be necessary or convenient to handle the receipts and disbursements of the board in an orderly fashion.

(b) The funds and accounts must be audited annually by a certified public accountant at the expense of the district.

Subd. 3. [DEPOSIT AND INVESTMENT.] The money on hand in those funds and accounts may be deposited in the official depositories of the board or invested as provided in this subdivision. Any amount not currently needed or required by law to be kept in cash on deposit may be invested in obligations authorized for the investment of municipal sinking funds by Minnesota Statutes, section 475.66. The money may also be held under certificates of deposit issued by any official depository of the board.

Subd. 4. [BOND PROCEEDS.] The use of proceeds of all bonds issued by the board for the acquisition and betterment of the district disposal system, and the use, other than investment, of all money on hand in any sinking fund or funds of the board, is governed by the provisions of Minnesota Statutes, chapter 475, the provisions of sections 1 to 19, and the provisions of resolutions authorizing the issuance of the bonds. When received, the bond proceeds must be transferred to the treasurer of the board for safekeeping, investment, and payment of the costs for which they were issued.

Subd. 5. [AUDIT.] The board shall provide for and pay the cost of an independent annual audit of its official books and records by the state auditor or a public accountant authorized to perform that function under Minnesota Statutes, chapter 6.

Sec. 16. [SERVICE CONTRACTS WITH GOVERNMENTAL ENTITIES OUTSIDE THE JURISDICTION OF THE BOARD.]

(a) The board may contract with the United States or any agency of the federal government, any state or its agency, or any municipal or public corporation, governmental subdivision or agency or political subdivision in any state, outside the jurisdiction of the board, for furnishing services to those entities, including but not limited to planning for and the acquisition, betterment, operation, administration, and maintenance of any or all interceptors, treatment works, and local water and sanitary sewer facilities. The board may include as one of the terms of the contract that the entity must pay to the board an amount agreed upon as a reasonable estimate of the proportionate share properly allocable to the entity of costs of acquisition, betterment, and debt service previously allocated in the district. When payments are made by entities to the board, they must be applied in reduction of the total amount of costs thereafter allocated in the district, on an equitable basis as the board deems to be in the best interests of the district, applying so far as practicable and appropriate the criteria set forth in section 10, subdivision 2. A municipality in the state of Minnesota may enter into a contract and perform all acts and things required as a condition or consideration therefor consistent with the purposes of sections 1 to 19, whether or not included among the powers otherwise granted to the municipality by law or charter.

(b) The board shall contract with a qualified entity to make necessary inspections of the district facilities, and to otherwise process or assist in processing any of the work of the district.

Sec. 17. [CONTRACTS FOR CONSTRUCTION, MATERIALS, SUPPLIES, AND EQUIPMENT.]

When the board orders a project involving the acquisition or betterment of a part of the district disposal system, it shall cause plans and specifications of the project to be made, or if previously made, to be modified, if necessary, and to be approved by the agency if required, and after any required approval by the agency, one or more contracts for work and materials called for by the plans and specification may be awarded as provided in Minnesota Statutes, section 471.345.

Sec. 18. [PROPERTY EXEMPT FROM TAXATION.]

Any properties, real or personal, owned, leased, controlled, used, or occupied by the water and sanitary sewer board for any purpose under sections 1 to 19 are declared to be acquired, owned,

leased, controlled, used, and occupied for public, governmental, and municipal purposes, and are exempt from taxation by the state or any political subdivision of the state. The properties are subject to special assessments levied by a political subdivision for a local improvement in amounts proportionate to and not exceeding the special benefit received by the properties from the improvement.

Sec. 19. [RELATION TO EXISTING LAWS.]

Sections 1 to 19 must be given full effect notwithstanding the provisions of any law or charter inconsistent with sections 1 to 19. The powers conferred on the board under sections 1 to 19 do not in any way diminish or supersede the powers conferred on the agency by Minnesota Statutes, chapters 115 to 116.

Sec. 20. [BANNING JUNCTION AREA WATER AND SANITARY SEWER DISTRICT; DEFINITIONS.]

Subdivision 1. [APPLICATION.] For the purposes of sections 20 to 38, the terms defined in this section have the meanings given them.

Subd. 2. [DISTRICT.] "Banning Junction area water and sanitary sewer district" and "district" mean the area over which the Banning Junction area water and sanitary sewer board has jurisdiction, including the town of Finlayson and the city of Finlayson in Pine county and Banning state park, but only that part of the township described in the comprehensive plan adopted by the board pursuant to section 24.

Subd. 3. [BOARD.] "Water and sanitary sewer board" or "board" means the Banning Junction area water and sanitary sewer board established for the district as provided in subdivision 2.

Subd. 4. [PERSON.] "Person" means an individual, partnership, corporation, limited liability company, cooperative, or other organization or entity, public or private.

Subd. 5. [LOCAL GOVERNMENTAL UNITS.] "Local governmental units" or "governmental units" means the town of Finlayson, the department of natural resources, and the city of Finlayson.

Subd. 6. [ACQUISITION; BETTERMENT.] "Acquisition" and "betterment" have the meanings given in Minnesota Statutes, chapter 475.

Subd. 7. [AGENCY.] "Agency" means the Minnesota pollution control agency created in Minnesota Statutes, chapter 116.

Subd. 8. [SEWAGE.] "Sewage" means all liquid or water-carried waste products from whatever sources derived, together with any groundwater infiltration and surface water as may be present.

Subd. 9. [POLLUTION OF WATER; SEWER SYSTEM.] "Pollution of water" and "sewer system" have the meanings given in Minnesota Statutes, section 115.01.

Subd. 10. [TREATMENT WORKS; DISPOSAL SYSTEM.] "Treatment works" and "disposal system" have the meanings given in Minnesota Statutes, section 115.01.

Subd. 11. [INTERCEPTOR.] "Interceptor" means a sewer and its necessary appurtenances, including but not limited to mains, pumping stations, and sewage flow-regulating and -measuring stations, that is:

(1) designed for or used to conduct sewage originating in more than one local governmental unit;

(2) designed or used to conduct all or substantially all the sewage originating in a single local governmental unit from a point of collection in that unit to an interceptor or treatment works outside that unit; or

(3) determined by the board to be a major collector of sewage used or designed to serve a substantial area in the district.

Subd. 12. [DISTRICT DISPOSAL SYSTEM.] "District disposal system" means any and all interceptors or treatment works owned, constructed, or operated by the board unless designated by the board as local water and sanitary sewer facilities.

Subd. 13. [MUNICIPALITY.] "Municipality" means any home rule charter or statutory city or town.

Subd. 14. [TOTAL COSTS.] "Total costs of acquisition and betterment" and "costs of acquisition and betterment" mean all acquisition and betterment expenses permitted to be financed out of stopped bond proceeds issued in accordance with section 32, whether or not the expenses are in fact financed out of the bond proceeds.

Subd. 15. [CURRENT COSTS.] "Current costs of acquisition, betterment, and debt service" means interest and principal estimated to be due during the budget year on bonds issued to finance said acquisition and betterment and all other costs of acquisition and betterment estimated to be paid during the year from funds other than bond proceeds and federal or state grants.

Subd. 16. [RESIDENT.] "Resident" means the owner of a dwelling located in the district and receiving water or sewer service.

#### Sec. 21. [WATER AND SANITARY SEWER BOARD.]

Subdivision 1. [ESTABLISHMENT.] A water and sanitary sewer district is established for the town of Finlayson, for the Banning state park, under the jurisdiction of the Minnesota department of natural resources, and for the city of Finlayson in Pine county, to be known as the Banning Junction area water and sanitary sewer district. The water and sewer district is under the control and management of the Banning Junction area water and sanitary sewer board. The board is established as a public corporation and political subdivision of the state with perpetual succession and all the rights, powers, privileges, immunities, and duties that may be validly granted to or imposed upon a municipal corporation, as provided in sections 20 to 38.

Subd. 2. [MEMBERS AND SELECTION.] The board is composed of five members selected as follows: the town board shall meet to appoint three members, one of whom shall be an elected township officer, and two of whom shall be persons served by the system, the city shall appoint one member, and the department of natural resources shall appoint one member to the water and sanitary sewer board and each board member shall have one vote. The first terms must be as follows: one for one year, two for two years, and two for three years, fixed by lot at the district's first meeting. Thereafter, all terms are for three years.

Subd. 3. [TIME LIMITS FOR SELECTION.] The board members must be selected as provided in subdivision 2 within 60 days after sections 20 to 38 become effective. The successor to each board member must be selected at any time within 60 days before the expiration of the member's term in the same manner as the predecessor was selected. A vacancy on the board must be filled within 60 days after it occurs.

Subd. 4. [VACANCIES.] If the office of a board member becomes vacant, the vacancy must be filled for the unexpired term in the manner provided for selection of the member who vacated the office. The office is deemed vacant under the conditions specified in Minnesota Statutes, section 351.02.

Subd. 5. [REMOVAL.] A board member may be removed by the unanimous vote of the governing body appointing the member, with or without cause, or for malfeasance or nonfeasance in the performance of official duties as provided by Minnesota Statutes, sections 351.14 to 351.23.

Subd. 6. [CERTIFICATES OF SELECTION; OATH OF OFFICE.] A certificate of selection of every board member selected under subdivision 2 stating the term for which selected, must be made by the respective town clerks, city administrator, and by the commissioner of natural resources. The certificates, with the approval appended by other authority, if required, must be filed with the secretary of state. Counterparts thereof must be furnished to the board member and the secretary of the board. Each member shall qualify by taking and subscribing the oath of office prescribed by the Minnesota Constitution, article V, section 6. The oath, duly certified by the

official administering the same, must be filed with the secretary of state and the secretary of the board.

Subd. 7. [BOARD MEMBERS' COMPENSATION.] Each board member, except the chair, must be paid a per diem compensation of \$35 for meetings and for other services as are specifically authorized by the board, not to exceed \$1,000 in any one year. The chair must be paid a per diem compensation of \$45 for meetings and for other services specifically authorized by the board, not to exceed \$1,500 in any one year. All members of the board must be reimbursed for all reasonable and necessary expenses actually incurred in the performance of duties.

Sec. 22. [GENERAL PROVISIONS FOR ORGANIZATION AND OPERATION OF BOARD.]

Subdivision 1. [ORGANIZATION; OFFICERS; MEETINGS; SEAL.] After the selection and qualification of all board members, they shall meet to organize the board at the call of any two board members, upon seven days' notice by registered mail to the remaining board members, at a time and place within the district specified in the notice. A majority of the members shall constitute a quorum at that meeting and all other meetings of the board, but a lesser number may meet and adjourn from time to time and compel the attendance of absent members. At the first meeting the board shall select its officers and conduct other organizational business as may be necessary. Thereafter the board shall meet regularly at the time and place that the board designates by resolution. Special meetings may be held at any time upon call of the chair or any two members, upon written notice sent by mail to each member at least three days before the meeting, or upon other notice as the board by resolution may provide, or without notice if each member is present or files with the secretary a written consent to the meeting either before or after the meeting. Except as otherwise provided in sections 20 to 38, any action within the authority of the board may be taken by the affirmative vote of a majority of the board and may be taken by regular or adjourned regular meeting or at a duly held special meeting, but in any case only if a quorum is present. Meetings of the board must be open to the public. The board may adopt a seal, which must be officially and judicially noticed, to authenticate instruments executed by its authority, but omission of the seal does not affect the validity of any instrument.

Subd. 2. [CHAIR.] The board shall elect a chair from its membership. The term of the first chair of the board shall expire on January 1, 2001, and the terms of successor chairs expire on January 1 of each succeeding year. The chair shall preside at all meetings of the board, if present, and shall perform all other duties and functions usually incumbent upon such an officer, and all administrative functions assigned to the chair by the board. The board shall elect a vice-chair from its membership to act for the chair during temporary absence or disability.

Subd. 3. [SECRETARY AND TREASURER.] The board shall select a person or persons who may, but need not be, a member or members of the board, to act as its secretary and treasurer. The secretary and treasurer shall hold office at the pleasure of the board, subject to the terms of any contract of employment that the board may enter into with the secretary or treasurer. The secretary shall record the minutes of all meetings of the board, and be the custodian of all books and records of the board except those that the board entrusts to the custody of a designated employee. The treasurer is the custodian of all money received by the board except as the board otherwise entrusts to the custody of a designated employee. The board may appoint a deputy to perform any and all functions of either the secretary or the treasurer. A secretary or treasurer who is not a member of the board or a deputy of either does not have the right to vote.

Subd. 4. [EXECUTIVE DIRECTOR.] The board may appoint an executive director, selected solely upon the basis of training, experience, and other qualifications and who shall serve at the pleasure of the board and at a compensation to be determined by the board. The executive director need not be a resident of the district. The executive director may also be selected by the board to serve as either secretary or treasurer, or both, of the board. The executive director shall attend all meetings of the board, but shall not vote, and shall have the following powers and duties:

(1) to see that all resolutions, rules, regulations, or orders of the board are enforced;

(2) to appoint and remove, upon the basis of merit and fitness, all subordinate officers and regular employees of the board except the secretary and the treasurer and their deputies;

(3) to present to the board plans, studies, and other reports prepared for board purposes and recommend to the board for adoption the measures the executive director deems necessary to enforce or carry out the powers and the duties of the board, or the efficient administration of the affairs of the board;

(4) to keep the board fully advised as to its financial condition, and to prepare and submit to the board and to the governing bodies of the local governmental units, the board's annual budget and other financial information the board may request;

(5) to recommend to the board for adoption rules and regulations the executive director deems necessary for the efficient operation of the district disposal system; and

(6) to perform other duties prescribed by the board.

Subd. 5. [PUBLIC EMPLOYEES.] The executive director and other persons employed by the district are public employees and have all the rights and duties conferred on public employees under Minnesota Statutes, sections 179A.01 to 179A.25. The board may elect to have employees become members of either the public employees retirement association or the Minnesota state retirement system. The compensation and conditions of employment of the employees must be governed by rules applicable to state employees in the classified service and to the provisions of Minnesota Statutes, chapter 15A.

Subd. 6. [PROCEDURES.] The board shall adopt resolutions or bylaws establishing procedures for board action, personnel administration, keeping records, approving claims, authorizing or making disbursements, safekeeping funds, and auditing all financial operations of the board.

Subd. 7. [SURETY BONDS AND INSURANCE.] The board may procure surety bonds for its officers and employees, in amounts deemed necessary to ensure proper performance of their duties and proper accounting for funds in their custody. It may procure insurance against risks to property and liability of the board and its officers, agents, and employees for personal injuries or death and property damage and destruction, in amounts deemed necessary or desirable, with the force and effect stated in Minnesota Statutes, chapter 466.

#### Sec. 23. [GENERAL POWERS OF BOARD.]

Subdivision 1. [SCOPE.] The board has all powers necessary or convenient to discharge the duties imposed upon it by law. The powers include those specified in this section, but the express grant or enumeration of powers does not limit the generality or scope of the grant of powers contained in this subdivision.

Subd. 2. [SUIT.] The board may sue or be sued.

Subd. 3. [CONTRACT.] The board may enter into any contract necessary or proper for the exercise of its powers or the accomplishment of its purposes.

Subd. 4. [GIFTS, GRANTS, LOANS.] The board may accept gifts, apply for and accept grants or loans of money or other property from the United States, the state, or any person for any of its purposes, enter into any agreement required in connection with them, and hold, use, and dispose of the money or property in accordance with the terms of the gift, grant, loan, or agreement relating to it. With respect to loans or grants of funds or real or personal property or other assistance from any state or federal government or its agency or instrumentality, the board may contract to do and perform all acts and things required as a condition or consideration for the gift, grant, or loan pursuant to state or federal law or regulations, whether or not included among the powers expressly granted to the board in sections 20 to 38.

Subd. 5. [COOPERATIVE ACTION.] The board may act under Minnesota Statutes, section 471.59, or any other appropriate law providing for joint or cooperative action between governmental units.

Subd. 6. [STUDIES AND INVESTIGATIONS.] The board may conduct research studies and

programs, collect and analyze data, prepare reports, maps, charts, and tables, and conduct all necessary hearings and investigations in connection with the design, construction, and operation of the district disposal system.

Subd. 7. [EMPLOYEES, TERMS.] The board may employ on terms it deems advisable, persons or firms performing engineering, legal, or other services of a professional nature; require any employee to obtain and file with it an individual bond or fidelity insurance policy; and procure insurance in amounts it deems necessary against liability of the board or its officers or both, for personal injury or death and property damage or destruction, with the force and effect stated in Minnesota Statutes, chapter 466, and against risks of damage to or destruction of any of its facilities, equipment, or other property as it deems necessary.

Subd. 8. [PROPERTY RIGHTS, POWERS.] The board may acquire by purchase, lease, condemnation, gift, or grant, any real or personal property including positive and negative easements and water and air rights, and it may construct, enlarge, improve, replace, repair, maintain, and operate any interceptor, treatment works, or water facility determined to be necessary or convenient for the collection and disposal of sewage in the district. Any local governmental unit and the commissioners of transportation and natural resources are authorized to convey to or permit the use of any of the above-mentioned facilities owned or controlled by it, by the board, subject to the rights of the holders of any bonds issued with respect to those facilities, with or without compensation, without an election or approval by any other governmental unit or agency. All powers conferred by this subdivision may be exercised both within or without the district as may be necessary for the exercise by the board of its powers or the accomplishment of its purposes. The board may hold, lease, convey, or otherwise dispose of the above-mentioned property for its purposes upon the terms and in the manner it deems advisable. Unless otherwise provided, the right to acquire lands and property rights by condemnation may be exercised only in accordance with Minnesota Statutes, sections 117.011 to 117.232, and shall apply to any property or interest in the property owned by any local governmental unit. No property devoted to an actual public use at the time, or held to be devoted to such a use within a reasonable time, shall be so acquired unless a court of competent jurisdiction determines that the use proposed by the board is paramount to the existing use. Except in the case of property in actual public use, the board may take possession of any property on which condemnation proceedings have been commenced at any time after the issuance of a court order appointing commissioners for its condemnation.

Subd. 9. [RELATIONSHIP TO OTHER PROPERTIES.] The board may construct or maintain its systems or facilities in, along, on, under, over, or through public waters, streets, bridges, viaducts, and other public rights-of-way without first obtaining a franchise from a county or municipality having jurisdiction over them. However, the facilities must be constructed and maintained in accordance with the ordinances and resolutions of the county or municipality relating to constructing, installing, and maintaining similar facilities on public properties and must not unnecessarily obstruct the public use of those rights-of-way.

Subd. 10. [DISPOSAL OF PROPERTY.] The board may sell, lease, or otherwise dispose of any real or personal property acquired by it which is no longer required for accomplishment of its purposes. The property may be sold in the manner provided by Minnesota Statutes, section 469.065, insofar as practical. The board may give notice of sale as it deems appropriate. When the board determines that any property or any part of the district disposal system acquired from a local governmental unit without compensation is no longer required but is required as a local facility by the governmental unit from which it was acquired, the board may by resolution transfer it to that governmental unit.

Subd. 11. [AGREEMENTS WITH OTHER GOVERNMENTAL UNITS.] The board may contract with the United States or any agency thereof, any state or agency thereof, or any regional public planning body in the state with jurisdiction over any part of the district, or any other municipal or public corporation, or governmental subdivision or agency or political subdivision in any state, for the joint use of any facility owned by the board or such entity, for the operation by that entity of any system or facility of the board, or for the performance on the board's behalf of any service, including but not limited to planning, on terms as may be agreed upon by the contracting parties. Unless designated by the board as a local water and sanitary sewer facility, any



treatment works or interceptor jointly used, or operated on behalf of the board, as provided in this subdivision, is deemed to be operated by the board for purposes of including those facilities in the district disposal system.

Sec. 24. [COMPREHENSIVE PLAN.]

Subdivision 1. [BOARD PLAN AND PROGRAM.] The board shall adopt a comprehensive plan for the collection, treatment, and disposal of sewage in the district for a designated period the board deems proper and reasonable. The board shall prepare and adopt subsequent comprehensive plans for the collection, treatment, and disposal of sewage in the district for each succeeding designated period as the board deems proper and reasonable. The first plan, as modified by the board, and any subsequent plan shall take into account the preservation and best and most economic use of water and other natural resources in the area; the preservation, use, and potential for use of lands adjoining waters of the state to be used for the disposal of sewage; and the impact the disposal system will have on present and future land use in the area affected. The plans shall include the general location of needed interceptors and treatment works, a description of the area that is to be served by the various interceptors and treatment works, a long-range capital improvements program, and any other details as the board deems appropriate. In developing the plans, the board shall consult with persons designated for the purpose by governing bodies of any governmental unit within the district to represent the entities and shall consider the data, resources, and input offered to the board by the entities and any planning agency acting on behalf of one or more of the entities. Each plan, when adopted, must be followed in the district and may be revised as often as the board deems necessary.

Subd. 2. [COMPREHENSIVE PLANS; HEARING.] Before adopting any subsequent comprehensive plan, the board shall hold a public hearing on the proposed plan at a time and place in the district that it selects. The hearing may be continued from time to time. Not less than 45 days before the hearing, the board shall publish notice of the hearing in a newspaper having general circulation in the district, stating the date, time, and place of the hearing, and the place where the proposed plan may be examined by any interested person. At the hearing, all interested persons must be permitted to present their views on the plan.

Subd. 3. [GOVERNMENTAL UNIT PLANS AND PROGRAMS; COORDINATION WITH BOARD'S RESPONSIBILITIES.] Once the board's plan is adopted, no construction project involving the construction of new sewers or other disposal facilities may be undertaken by the local governmental unit unless its governing body shall first find the project to be in accordance with the governmental unit's comprehensive plan and program as approved by the board. Before approval by the board of the comprehensive plan and program of any local governmental unit in the district, no water and sanitary sewer construction project may be undertaken by the governmental unit unless approval of the project is first secured from the board as to those features of the project affecting the board's responsibilities as determined by the board.

Sec. 25. [POWERS TO ISSUE OBLIGATIONS AND IMPOSE SPECIAL ASSESSMENTS.]

The Banning Junction area water and sanitary sewer board, in order to implement the powers granted under sections 20 to 38 to establish, maintain, and administer the Banning Junction area water and sanitary sewer district, may issue obligations and impose special assessments against benefited property within the limits of the district benefited by facilities constructed under sections 20 to 38 in the manner provided for local governments by Minnesota Statutes, chapter 429.

Sec. 26. [SYSTEM EXPANSION; APPLICATION TO CITIES.]

The authority of the water and sanitary sewer board to establish water or sewer or combined water and sewer systems under this section extends to areas within the Banning Junction area water and sanitary sewer district organized into cities when requested by resolution of the governing body of the affected city or when ordered by the Minnesota pollution control agency after notice and hearing. For the purpose of any petition filed or special assessment levied with respect to any system, the entire area to be served within a city must be treated as if it were owned by a single person, and the governing body shall exercise all the rights and be subject to all the duties of an owner of the area, and shall have power to provide for the payment of all special

assessments and other charges imposed upon the area with respect to the system by the appropriation of money, the collection of service charges, or the levy of taxes, which shall be subject to no limitation of rate or amount.

Sec. 27. [SEWAGE COLLECTION AND DISPOSAL; POWERS.]

Subdivision 1. [POWERS.] In addition to all other powers conferred upon the board in sections 20 to 38, it has the powers specified in this section.

Subd. 2. [DISCHARGE OF TREATED SEWAGE.] The board may discharge the effluent from any treatment works operated by it into any waters of the state, subject to approval of the agency if required and in accordance with any effluent or water quality standards lawfully adopted by the agency, any interstate agency, or any federal agency having jurisdiction.

Subd. 3. [UTILIZATION OF DISTRICT SYSTEM.] The board may require any person or local governmental unit to provide for the discharge of any sewage, directly or indirectly, into the district disposal system, or to connect any disposal system or a part of it with the district disposal system wherever reasonable opportunity for connection is provided; may regulate the manner in which the connections are made; may require any person or local governmental unit discharging sewage into the disposal system to provide preliminary treatment for it; may prohibit the discharge into the district disposal system of any substance that it determines will or may be harmful to the system or any persons operating it; and may require any local governmental unit to discontinue the acquisition, betterment, or operation of any facility for the unit's disposal system wherever and so far as adequate service is or will be provided by the district disposal system.

Subd. 4. [SYSTEM OF COST RECOVERY TO COMPLY WITH APPLICABLE REGULATIONS.] Any charges, connection fees, or other cost-recovery techniques imposed on persons discharging sewage directly or indirectly into the district disposal system must comply with applicable state and federal law, including state and federal regulations governing grant applications.

Sec. 28. [BUDGET.]

The board shall prepare and adopt, on or before October 1 in 1999 and each year thereafter, a budget showing for the following calendar year or other fiscal year determined by the board, sometimes referred to in sections 20 to 38 as the budget year, estimated receipts of money from all sources, including but not limited to payments by each local governmental unit, federal or state grants, taxes on property, and funds on hand at the beginning of the year, and estimated expenditures for:

- (1) costs of operation, administration, and maintenance of the district disposal system;
- (2) cost of acquisition and betterment of the district disposal system; and

(3) debt service, including principal and interest, on general obligation bonds and certificates issued pursuant to section 32, and any money judgments entered by a court of competent jurisdiction. Expenditures within these general categories, and any other categories as the board may from time to time determine, must be itemized in detail as the board prescribes. The board and its officers, agents, and employees shall not spend money for any purpose other than debt service without having set forth the expense in the budget nor in excess of the amount set forth in the budget for it. No obligation to make an expenditure of the above-mentioned type is enforceable except as the obligation of the person or persons incurring it. The board may amend the budget at any time by transferring from one purpose to another any sums except money for debt service and bond proceeds or by increasing expenditures in any amount by which actual cash receipts during the budget year exceed the total amounts designated in the original budget. The creation of any obligation under section 32 or the receipt of any federal or state grant is a sufficient budget designation of the proceeds for the purpose for which it is authorized, and of the tax or other revenue pledged to pay the obligation and interest on it, whether or not specifically included in any annual budget.

Sec. 29. [ALLOCATION OF COSTS.]

Subdivision 1. [DEFINITION OF CURRENT COSTS.] The estimated cost of administration, operation, maintenance, and debt service of the district disposal system to be paid by the board in each fiscal year and the estimated costs of acquisition and betterment of the system that are to be paid during the year from funds other than state or federal grants and bond proceeds and all other previously unallocated payments made by the board pursuant to sections 20 to 38 to be allocated in the fiscal year are referred to as current costs and must be allocated by the board as provided in subdivision 2 in the budget for that year.

Subd. 2. [METHOD OF ALLOCATION OF CURRENT COSTS.] Current costs must be allocated in the district on an equitable basis as the board may determine by resolution to be in the best interests of the district. The adoption or revision of any method of allocation used by the board must be by the affirmative vote of at least two-thirds of the members of the board.

Sec. 30. [TAX LEVIES.]

To accomplish any duty imposed on it the board may, in addition to the powers granted in sections 20 to 38 and in any other law or charter, exercise the powers granted any municipality by Minnesota Statutes, chapters 117, 412, 429, 475, sections 115.46, 444.075, and 471.59, with respect to the area in the district. The board may levy taxes upon all taxable property in the district for all or a part of the amount payable to the board, pursuant to section 29, to be assessed and extended as a tax upon that taxable property by the county auditor for the next calendar year, free from any limitation of rate or amount imposed by law or charter. The tax must be collected and remitted in the same manner as other general taxes.

Sec. 31. [PUBLIC HEARING AND SPECIAL ASSESSMENTS.]

Subdivision 1. [PUBLIC HEARING REQUIREMENT ON SPECIFIC PROJECT.] Before the board orders any project involving the acquisition or betterment of any interceptor or treatment works, all or a part of the cost of which will be allocated pursuant to section 29 as current costs, the board shall hold a public hearing on the proposed project. The hearing must be held following two publications in a newspaper having general circulation in the district, stating the time and place of the hearing, the general nature and location of the project, the estimated total cost of acquisition and betterment, that portion of costs estimated to be paid out of federal and state grants, and that portion of costs estimated to be allocated. The estimates must be best available at the time of the meeting and if costs exceed the estimate, the project cannot proceed until an additional public hearing is held, with notice as required at the initial meeting. The two publications must be a week apart and the hearing at least three days after the last publication. Not less than 45 days before the hearing, notice of the hearing must also be mailed to each clerk of all local governmental units in the district, but failure to give mailed notice or any defects in the notice does not invalidate the proceedings. The project may include all or part of one or more interceptors or treatment works. No hearing may be held on any project unless the project is within the area covered by the comprehensive plan adopted by the board pursuant to section 24 except that the hearing may be held simultaneously with a hearing on a comprehensive plan. A hearing is not required with respect to a project, no part of the costs of which are to be allocated as the current costs of acquisition, betterment, and debt service.

Subd. 2. [NOTICE TO BENEFITED PROPERTY OWNERS.] If the board proposes to assess against benefited property within the district all or any part of the allocable costs of the project as provided in subdivision 5, the board shall, not less than two weeks before the hearing provided for in subdivision 1, cause mailed notice of the hearing to be given to the owner of each parcel within the area proposed to be specially assessed and shall also give two weeks' published notice of the hearing. The notice of hearing must contain the same information provided in the notice published by the board pursuant to subdivision 1, and a description of the area proposed to be assessed. For the purpose of giving mailed notice, owners are those shown to be on the records of the county auditor or, in any county where tax statements are mailed by the county treasurer, on the records of the county treasurer; but other appropriate records may be used for this purpose. For properties that are tax exempt or subject to taxation on a gross earnings basis and not listed on the records of the county auditor or the county treasurer, the owners must be ascertained by any practicable means and mailed notice given them as herein provided. Failure to give mailed notice or any defects in the notice does not invalidate the proceedings of the board.

Subd. 3. [BOARD PROCEEDINGS PERTAINING TO HEARING.] Before adoption of the resolution calling for a hearing under this section, the board shall secure from the district engineer or some other competent person of the board's selection a report advising it in a preliminary way as to whether the proposed project is feasible and whether it should be made as proposed or in connection with some other project and the estimated costs of the project as recommended. No error or omission in the report invalidates the proceeding. The board may also take other steps before the hearing, as will in its judgment provide helpful information in determining the desirability and feasibility of the project, including but not limited to preparation of plans and specifications and advertisement for bids on them. The hearing may be adjourned from time to time and a resolution ordering the project may be adopted at any time within six months after the date of hearing. In ordering the project the board may reduce but not increase the extent of the project as stated in the notice of hearing and shall find that the project as ordered is in accordance with the comprehensive plan and program adopted by the board pursuant to section 24.

Subd. 4. [EMERGENCY ACTION.] If the board by resolution adopted by the affirmative vote of not less than two-thirds of its members determines that an emergency exists requiring the immediate purchase of materials or supplies or the making of emergency repairs, it may order the purchase of those supplies and materials and the making of the repairs before any hearing required under this section, provided that the board shall set as early a date as practicable for the hearing at the time it declares the emergency. All other provisions of this section must be followed in giving notice of and conducting the hearing. Nothing herein may be construed as preventing the board or its agents from purchasing maintenance supplies or incurring maintenance costs without regard to the requirements of this section.

Subd. 5. [POWER OF THE BOARD TO SPECIALLY ASSESS.] The board may specially assess all or any part of the costs of acquisition and betterment as herein provided, of any project ordered pursuant to this section. The special assessments must be levied in accordance with the provisions of Minnesota Statutes, sections 429.051 to 429.081, except as otherwise provided in this subdivision. No other provisions of Minnesota Statutes, chapter 429, apply. For purposes of levying the special assessments, the hearing on the project required in subdivision 1 serves as the hearing on the making of the original improvement provided for by Minnesota Statutes, section 429.051. The area assessed may be less than but may not exceed the area proposed to be assessed as stated in the notice of hearing on the project provided for in subdivision 2.

### Sec. 32. [BONDS, CERTIFICATES, AND OTHER OBLIGATIONS.]

Subdivision 1. [BUDGET ANTICIPATION CERTIFICATES OF INDEBTEDNESS.] At any time after adoption of its annual budget and in anticipation of the collection of tax and other revenues estimated and set forth by the board in the budget, except in the case of deficiency taxes levied under this subdivision and taxes levied for the payment of certificates issued under subdivision 2, the board may, by resolution, authorize the issuance, negotiation, and sale, in accordance with subdivision 4 in the form and manner and upon terms it determines, of its negotiable general obligation certificates of indebtedness in aggregate principal amounts not exceeding 50 percent of the total amount of tax collections and other revenues, and maturing not later than three months after the close of the budget year in which issued. The proceeds of the sale of the certificates must be used solely for the purposes for which the tax collections and other revenues are to be expended pursuant to the budget.

All the tax collections and other revenues included in the budget for the budget year, after the expenditure of the tax collections and other revenues in accordance with the budget, must be irrevocably pledged and appropriated to a special fund to pay the principal and interest on the certificates when due. If for any reason the tax collections and other revenues are insufficient to pay the certificates and interest when due, the board shall levy a tax in the amount of the deficiency on all taxable property in the district and shall appropriate this amount when received to the special fund.

Subd. 2. [EMERGENCY CERTIFICATES OF INDEBTEDNESS.] If in any budget year the receipts of tax and other revenues should for some unforeseen cause become insufficient to pay the board's current expenses, or if any public emergency should subject it to the necessity of

making extraordinary expenditures, the board may by resolution authorize the issuance, negotiation, and sale, in accordance with subdivision 4 in the form and manner and upon the terms and conditions it determines, of its negotiable general obligation certificates of indebtedness in an amount sufficient to meet the deficiency. The board shall levy on all taxable property in the district a tax sufficient to pay the certificates and interest on the certificates and shall appropriate all collections of the tax to a special fund created for the payment of the certificates and the interest on them. Certificates issued under this subdivision mature not later than April 1 in the year following the year in which the tax is collectible.

Subd. 3. [GENERAL OBLIGATION BONDS.] The board may by resolution authorize the issuance of general obligation bonds for the acquisition or betterment of any part of the district disposal system, including but without limitation the payment of interest during construction and for a reasonable period thereafter, or for the refunding of outstanding bonds, certificates of indebtedness, or judgments. The board shall pledge its full faith and credit and taxing power for the payment of the bonds and shall provide for the issuance and sale and for the security of the bonds in the manner provided in Minnesota Statutes, chapter 475. The board has the same powers and duties as a municipality issuing bonds under that law, except that no election is required and the debt limitations of Minnesota Statutes, chapter 475, do not apply to the bonds. The board may also pledge for the payment of the bonds and deduct from the amount of any tax levy required under Minnesota Statutes, section 475.61, subdivision 1, and any revenues receivable under any state and federal grants anticipated by the board and may covenant to refund the bonds if and when and to the extent that for any reason the revenues, together with other funds available and appropriated for that purpose, are not sufficient to pay all principal and interest due or about to become due, provided that the revenues have not been anticipated by the issuance of certificates under subdivision 1.

Subd. 4. [MANNER OF SALE AND ISSUANCE OF CERTIFICATES.] Certificates issued under subdivisions 1 and 2 may be issued and sold by negotiation, without public sale, and may be sold at a price equal to the percentage of the par value of the certificates, plus accrued interest, and bearing interest at the rate determined by the board. No election is required to authorize the issuance of the certificates. The certificates must bear the same rate of interest after maturity as before and the full faith and credit and taxing power of the board must be pledged to the payment of the certificates.

#### Sec. 33. [DEPOSITORIES.]

The board shall designate one or more national or state banks, or trust companies authorized to do a banking business, as official depositories for money of the board, and shall require the treasurer to deposit all or a part of the money in those institutions. The designation must be in writing and must set forth all the terms and conditions upon which the deposits are made, and must be signed by the chair and treasurer and made a part of the minutes of the board.

#### Sec. 34. [MONEY, ACCOUNTS, AND INVESTMENTS.]

Subdivision 1. [RECEIPT AND APPLICATION.] Money received by the board must be deposited or invested by the treasurer and disposed of as the board may direct in accordance with its budget; provided that any money that has been pledged or dedicated by the board to the payment of obligations or interest on the obligations or expenses incident thereto, or for any other specific purpose authorized by law, must be paid by the treasurer into the fund to which it has been pledged.

Subd. 2. [FUNDS AND ACCOUNTS.] (a) The board's treasurer shall establish funds and accounts as may be necessary or convenient to handle the receipts and disbursements of the board in an orderly fashion.

(b) The funds and accounts must be audited annually by a certified public accountant at the expense of the district.

Subd. 3. [DEPOSIT AND INVESTMENT.] The money on hand in those funds and accounts may be deposited in the official depositories of the board or invested as provided in this

subdivision. Any amount not currently needed or required by law to be kept in cash on deposit may be invested in obligations authorized for the investment of municipal sinking funds by Minnesota Statutes, section 475.66. The money may also be held under certificates of deposit issued by any official depository of the board.

Subd. 4. [BOND PROCEEDS.] The use of proceeds of all bonds issued by the board for the acquisition and betterment of the district disposal system, and the use, other than investment, of all money on hand in any sinking fund or funds of the board, is governed by the provisions of Minnesota Statutes, chapter 475, the provisions of sections 20 to 38, and the provisions of resolutions authorizing the issuance of the bonds. When received, the bond proceeds must be transferred to the treasurer of the board for safekeeping, investment, and payment of the costs for which they were issued.

Subd. 5. [AUDIT.] The board shall provide for and pay the cost of an independent annual audit of its official books and records by the state auditor or a public accountant authorized to perform that function under Minnesota Statutes, chapter 6.

**Sec. 35. [SERVICE CONTRACTS WITH GOVERNMENTAL ENTITIES OUTSIDE THE JURISDICTION OF THE BOARD.]**

(a) The board may contract with the United States or any agency of the federal government, any state or its agency, or any municipal or public corporation, governmental subdivision or agency or political subdivision in any state, outside the jurisdiction of the board, for furnishing services to those entities, including but not limited to planning for and the acquisition, betterment, operation, administration, and maintenance of any or all interceptors, treatment works, and local water and sanitary sewer facilities. The board may include as one of the terms of the contract that the entity must pay to the board an amount agreed upon as a reasonable estimate of the proportionate share properly allocable to the entity of costs of acquisition, betterment, and debt service previously allocated in the district. When payments are made by entities to the board, they must be applied in reduction of the total amount of costs thereafter allocated in the district, on an equitable basis as the board deems to be in the best interests of the district, applying so far as practicable and appropriate the criteria set forth in section 29, subdivision 2. A municipality in the state of Minnesota may enter into a contract and perform all acts and things required as a condition or consideration thereof consistent with the purposes of sections 20 to 38, whether or not included among the powers otherwise granted to the municipality by law or charter.

(b) The board shall contract with a qualified entity to make necessary inspections on the district facilities, and to otherwise process or assist in processing any of the work of the district.

**Sec. 36. [CONTRACTS FOR CONSTRUCTION, MATERIALS, SUPPLIES, AND EQUIPMENT.]**

When the board orders a project involving the acquisition or betterment of a part of the district disposal system, it shall cause plans and specifications of the project to be made, or if previously made, to be modified, if necessary, and to be approved by the agency if required, and after any required approval by the agency, one or more contracts for work and materials called for by the plans and specification may be awarded as provided in Minnesota Statutes, section 471.345.

**Sec. 37. [PROPERTY EXEMPT FROM TAXATION.]**

Any properties, real or personal, owned, leased, controlled, used, or occupied by the water and sanitary sewer board for any purpose under sections 20 to 38 are declared to be acquired, owned, leased, controlled, used, and occupied for public, governmental, and municipal purposes, and are exempt from taxation by the state or any political subdivision of the state, provided that the properties are subject to special assessments levied by a political subdivision for a local improvement in amounts proportionate to and not exceeding the special benefit received by the properties from the improvement. No possible use of any properties in any manner different from their use as part of a disposal system at the time may be considered in determining the special benefit received by the properties. All assessments are subject to final approval by the board, whose determination of the benefits is conclusive upon the political subdivision levying the assessment.

## Sec. 38. [RELATION TO EXISTING LAWS.]

The provisions of sections 20 to 38 must be given full effect notwithstanding the provisions of any law or charter inconsistent with sections 20 to 38. The powers conferred on the board under sections 20 to 38 do not in any way diminish or supersede the powers conferred on the agency by Minnesota Statutes, chapters 115 to 116.

## Sec. 39. [EFFECTIVE DATE; REVERSE REFERENDUM.]

Prior to approval by resolution by each of the local governing bodies of the city of New Prague, and Helena and Cedar Lake townships, under Minnesota Statutes, section 645.021, subdivision 2, each city or township shall publish a notice of its intention to establish the district in a newspaper of general circulation in the city or township, together with a date for a public hearing. The hearing must be held at least two weeks but not more than four weeks after the publication of the resolution. Following the public hearing, the city or township may determine to take no further action or adopt a resolution confirming its intention to establish the district. That resolution must also be published in a newspaper of general circulation in the district. If within 30 days after publication of the resolution, a petition signed by at least five percent of the registered voters in the city or township requesting a vote on the proposed resolution is filed with the county auditor, the resolution is not effective until it has been submitted to the voters in the city or township at a general or special election and a majority of votes cast on the question of approving the resolution are in the affirmative. The commissioner of revenue shall prepare a suggested form of question to be presented at the election. If the majority of the votes are cast in the affirmative or if no reverse referenda are held, sections 1 to 19 are effective the day after a certificate of approval under Minnesota Statutes, section 645.021, subdivision 3, is filed by the last of the four local governmental units subject to sections 1 to 19.

Prior to approval by resolution by each of the local governing bodies of the city and town of Finlayson, under Minnesota Statutes, section 645.021, subdivision 2, the city or town shall publish a notice of its intention to establish the district in a newspaper of general circulation in the city or town, together with a date for a public hearing. The hearing must be held at least two weeks but not more than four weeks after the publication of the resolution. Following the public hearing, the city or town may determine to take no further action or adopt a resolution confirming its intention to establish the district. That resolution must also be published in a newspaper of general circulation in the district. If within 30 days after publication of the resolution, a petition signed by at least five percent of the registered voters in the city or town requesting a vote on the proposed resolution is filed with the county auditor, the resolution is not effective until it has been submitted to the voters in the city or town at a general or special election and a majority of votes cast on the question of approving the resolution are in the affirmative. The commissioner of revenue shall prepare a suggested form of question to be presented at the election. If the majority of the votes are cast in the affirmative or if no reverse referenda are held, sections 20 to 38 are effective as to the city and the town of Finlayson separately the day after the certificate of approval of the governing body of each is filed as provided in Minnesota Statutes, section 645.021, subdivision 3.

## ARTICLE 13

## ALLOCATION OF FUTURE SURPLUSES

Section 1. Minnesota Statutes 1998, section 16A.152, subdivision 2, is amended to read:

Subd. 2. [ADDITIONAL REVENUES; PRIORITY.] If on the basis of a forecast of general fund revenues and expenditures after November 1 in an odd-numbered year, the commissioner of finance determines that there will be a positive unrestricted budgetary general fund balance at the close of the biennium, the commissioner of finance must allocate money as follows:

- (1) first, to the budget reserve until the total amount in the account equals \$622,000,000; then
- (2) 60 percent to the property tax reform account established in section 16A.1521; and
- (3) 40 percent ~~is an unrestricted balance in the general fund~~ to the tax reduction and reform account.

The amounts necessary to meet the requirements of this section are appropriated from the general fund within two weeks after the forecast is released.

Sec. 2. Minnesota Statutes 1998, section 16A.152, is amended by adding a subdivision to read:

Subd. 2a. [PLANNING ESTIMATES.] (a) In forecasts prepared after November 1, 1999, and before February 2001, the commissioner shall estimate the general fund revenues and spending for the 2002-2003 biennium. In preparing these estimates, the commissioner shall use the methodology used generally to prepare planning estimates. If the commissioner estimates that revenues will exceed spending for the 2002-2003 biennium in any forecast, effective beginning July 1, 2001, the estimated amount shall be deposited in the health access fund up to the amount of and at the times that the annual tobacco settlement payments are received.

(b) If the commissioner estimates in any forecast that the full amount of the annual tobacco settlement payments for the 2002-2003 biennium are to be deposited in the health care access fund under the provisions of paragraph (a), the requirement to prepare estimates under paragraph (a) ceases and all future annual tobacco settlement payments must be deposited in the health care access fund.

(c) If in any forecast, the commissioner estimates under paragraph (a) that \$50,000,000 or more of annual tobacco settlement payments are to be deposited in the health care access fund for the 2002-2003 biennium, the tax rates under section 295.52 are reduced to zero effective beginning for calendar year 2001. If in the November 1999 forecast the commissioner estimates that \$100,000,000 or more of annual tobacco settlement payments are to be deposited in the health care access fund for the 2002-2003 biennium, the tax rates under section 295.52 for calendar year 2000 are reduced by 0.5 percentage point for each \$50,000,000 of increased deposits over \$50,000,000.

Sec. 3. [16A.1522] [STATEMENT OF PURPOSE.]

(a) The state of Minnesota derives revenues from a variety of taxes, fees, and other sources.

(b) The general fund state budget is enacted for a two-year period based on a forecast of state revenues and authorized spending. The two-year biennial budget period begins July 1 of odd-numbered years and ends June 30 of odd-numbered years.

(c) Section 4 is intended to require that any positive unrestricted budgetary general fund balance in excess of one-half of one percent of total general fund biennial revenues at the close of the biennium be returned to the taxpayers of Minnesota in the form of a rebate, payable at the end of the budget period.

Sec. 4. [16A.1523] [REBATE REQUIREMENTS.]

(a) If, on the basis of a forecast of general fund revenues and expenditures in November of an even-numbered year or February of an odd-numbered year, the commissioner of finance projects that there will be a positive unrestricted budgetary general fund balance at the close of the biennium that exceeds one-half of one percent of total general fund biennial revenues, the commissioner of finance shall designate the entire balance as available for rebate to the taxpayers of Minnesota.

(b) If the commissioner of finance designates an amount for rebate in either forecast, then the governor shall present a plan to the legislature for rebating that amount to the taxpayers of Minnesota. The plan must provide for payments to begin no later than August 15 of the odd-numbered year. The legislature must adopt or modify any plan presented by the governor by April 15 of each odd-numbered year.

(c) By July 15 of each odd-numbered year, the commissioner of finance shall certify to the commissioner of revenue the amount of revenues available for rebate as determined by preliminary June 30 end-of-year fiscal analysis.

(d) If the amount of a positive unrestricted budgetary general fund balance existing on June 30 of an odd-numbered year is less than one-half of one percent of the total general fund biennial revenues, the total amount of the positive balance shall be deposited into the tax relief account.



(e) Amounts certified for rebate by the commissioner of finance are appropriated from the general fund to the commissioner of revenue for the sole purpose of making the payments required by this section.

Sec. 5. [EFFECTIVE DATE.]

Sections 1 to 4 are effective September 1, 1999.

#### ARTICLE 14

#### MISCELLANEOUS

Section 1. Minnesota Statutes 1998, section 3.986, subdivision 2, is amended to read:

Subd. 2. [LOCAL FISCAL IMPACT.] (a) "Local fiscal impact" means increased or decreased costs or revenues that a political subdivision would incur as a result of a law enacted after June 30, 1997, ~~or rule proposed after December 31, 1998:~~

(1) that mandates a new program, eliminates an existing mandated program, requires an increased level of service of an existing program, or permits a decreased level of service in an existing mandated program;

(2) that implements or interprets federal law and, by its implementation or interpretation, increases or decreases program or service levels beyond the level required by the federal law;

(3) that implements or interprets a statute or amendment adopted or enacted pursuant to the approval of a statewide ballot measure by the voters and, by its implementation or interpretation, increases or decreases program or service levels beyond the levels required by the ballot measure;

(4) that removes an option previously available to political subdivisions, or adds an option previously unavailable to political subdivisions, thus requiring higher program or service levels or permitting lower program or service levels, or prohibits a specific activity and so forces political subdivisions to use a more costly alternative to provide a mandated program or service;

(5) that requires that an existing program or service be provided in a shorter time period and thus increases the cost of the program or service, or permits an existing mandated program or service to be provided in a longer time period, thus permitting a decrease in the cost of the program or service;

(6) that adds new requirements to an existing optional program or service and thus increases the cost of the program or service because the political subdivisions have no reasonable alternative other than to continue the optional program;

(7) that affects local revenue collections by changes in property or sales and use tax exemptions;

(8) that requires costs previously incurred at local option that have subsequently been mandated by the state; or

(9) that requires payment of a new fee or increases the amount of an existing fee, or permits the elimination or decrease of an existing fee mandated by the state.

(b) When state law is intended to achieve compliance with federal law or court orders, state mandates shall be determined as follows:

(1) if the federal law or court order is discretionary, the state law is a state mandate;

(2) if the state law exceeds what is required by the federal law or court order, only the provisions of the state law that exceed the federal requirements are a state mandate; and

(3) if the state law does not exceed what is required by the federal statute or regulation or court order, the state law is not a state mandate.

Sec. 2. Minnesota Statutes 1998, section 3.987, subdivision 1, is amended to read:

Subdivision 1. [LOCAL IMPACT NOTES.] The commissioner of finance shall coordinate the development of a local impact note for any proposed legislation introduced after June 30, 1997, ~~or any rule proposed after December 31, 1998,~~ upon request of the chair or the ranking minority member of either legislative tax committee. Upon receipt of a request to prepare a local impact note, the commissioner must notify the authors of the proposed legislation ~~or, for an administrative rule, the head of the relevant executive agency or department,~~ that the request has been made. The local impact note must be made available to the public upon request. If the action is among the exceptions listed in section 3.988, a local impact note need not be requested nor prepared. The commissioner shall make a reasonable and timely estimate of the local fiscal impact on each type of political subdivision that would result from the proposed legislation. The commissioner of finance may require any political subdivision or the commissioner of an administrative agency of the state to supply in a timely manner any information determined to be necessary to determine local fiscal impact. The political subdivision, its representative association, or commissioner shall convey the requested information to the commissioner of finance with a signed statement to the effect that the information is accurate and complete to the best of its ability. The political subdivision, its representative association, or commissioner, when requested, shall update its determination of local fiscal impact based on actual cost or revenue figures, improved estimates, or both. Upon completion of the note, the commissioner must provide a copy to the authors of the proposed legislation ~~or, for an administrative rule, to the head of the relevant executive agency or department.~~

Sec. 3. Minnesota Statutes 1998, section 270.07, subdivision 1, is amended to read:

Subdivision 1. [POWERS OF COMMISSIONER; APPLICATION FOR ABATEMENT; ORDERS.] (a) The commissioner of revenue shall prescribe the form of all blanks and books required under this chapter and shall hear and determine all matters of grievance relating to taxation. Except for matters delegated to the various boards of county commissioners under section 375.192, and except as otherwise provided by law, the commissioner shall have power to grant such reduction or abatement of net tax capacities or taxes and of any costs, penalties or interest thereon as the commissioner may deem just and equitable, and to order the refundment, in whole or in part, of any taxes, costs, penalties or interest thereon which have been erroneously or unjustly paid. Application therefor shall be submitted with a statement of facts in the case and the favorable recommendation of the county board or of the board of abatement of any city where any such board exists, and the county auditor of the county wherein such tax was levied or paid. In the case of taxes other than gross earnings taxes, the order may be made only on application and approval as provided in this paragraph. No reduction, abatement, or refundment of any special assessments made or levied by any municipality for local improvements shall be made unless it is also approved by the board of review or similar taxing authority of such municipality.

(b) The commissioner has the power to grant reductions or abatements of gross earnings tax. An application for reduction of gross earnings taxes may be made directly to the commissioner without the favorable action of the county board and county auditor. The commissioner shall direct that any gross earnings taxes that may have been erroneously or unjustly paid be applied against unpaid taxes due from the applicant.

(c) The commissioner shall forward to the county auditor a copy of the order made by the commissioner in all cases in which the approval of the county board is required.

(d) The commissioner may refer any question that may arise in reference to the true construction of this chapter to the attorney general, and the decision thereon shall be in force and effect until annulled by the judgment of a court of competent jurisdiction.

(e) The commissioner may by written order abate, reduce, or refund any penalty or interest imposed by any law relating to taxation, if in the commissioner's opinion the failure to timely pay the tax or failure to timely file the return is due to reasonable cause, or if the taxpayer is located in a presidentially declared disaster area. ~~The order shall be made on application of the taxpayer to the commissioner.~~

~~(f) If an order issued under this subdivision is for an abatement, reduction, or refund of over \$5,000, it shall be valid only if approved in writing by the attorney general.~~

~~(g)~~ (f) An appeal may not be taken to the tax court from any order of the commissioner of revenue made in the exercise of the discretionary authority granted in paragraph (a) with respect to the reduction or abatement of real or personal property taxes in response to a taxpayer's application for an abatement, reduction, or refund of taxes, net tax capacities, costs, penalties, or interest.

Sec. 4. Minnesota Statutes 1998, section 270.65, is amended to read:

270.65 [DATE OF ASSESSMENT; DEFINITION.]

For purposes of taxes administered by the commissioner, the term "date of assessment" means the date a return was filed or the date a return should have been filed, whichever is later; or, in the case of taxes determined by the commissioner, "date of assessment" means the date of the order assessing taxes; or, in the case of an amended return filed by the taxpayer, the assessment date is the date the return was filed with the commissioner; or, in the case of a check from a taxpayer that is dishonored and results in an erroneous refund being given to the taxpayer, remittance of the check is deemed to be an assessment and the "date of assessment" is the date the check was received by the commissioner.

Sec. 5. Minnesota Statutes 1998, section 270.67, is amended by adding a subdivision to read:

Subd. 4. [OFFER-IN-COMPROMISE PROGRAM.] (a) In implementing the authority provided in subdivision 1 or in section 8.30 to accept offers of installment payments or offers-in-compromise of tax liabilities, the commissioner of revenue shall prescribe guidelines for employees of the department of revenue to determine whether an offer-in-compromise or an offer to make installment payments is adequate and should be accepted to resolve a dispute. In prescribing the guidelines, the commissioner shall develop and publish schedules of national and local allowances designed to provide that taxpayers entering into a compromise have an adequate means to provide for basic living expenses. The guidelines must provide that the taxpayer's ownership interest in a motor vehicle, to the extent of the value allowed in section 550.37, will not be considered as an asset; in the case of an offer related to a joint tax liability of spouses, that value of two motor vehicles must be excluded. The guidelines must provide that employees of the department shall determine, on the basis of the facts and circumstances of each taxpayer, whether the use of the schedules is appropriate and that employees must not use the schedules to the extent the use would result in the taxpayer not having adequate means to provide for basic living expenses. The guidelines must provide that:

(1) an employee of the department shall not reject an offer-in-compromise from a low-income taxpayer solely on the basis of the amount of the offer; and

(2) in the case of an offer-in-compromise which relates only to issues of liability of the taxpayer:

(i) the offer must not be rejected solely because the commissioner is unable to locate the taxpayer's return or return information for verification of the liability; and

(ii) the taxpayer shall not be required to provide an audited, reviewed, or compiled financial statement.

(b) The commissioner shall establish procedures:

(1) for an independent administrative review of any rejection of a proposed offer-in-compromise or installment agreement made by a taxpayer under this section before the rejection is communicated to the taxpayer;

(2) that allow a taxpayer to appeal any rejection of the offer or agreement to the commissioner of revenue;

(3) that provide for notification to the taxpayer when an offer-in-compromise has been accepted, and issuance of certificates of release of any liens imposed under section 270.69 related to the liability which is the subject of the compromise; and

(4) that require presentation of a counteroffer by the commissioner if the amount offered by the taxpayer in an offer-in-compromise is not accepted by the commissioner.

Sec. 6. Minnesota Statutes 1998, section 270B.14, is amended by adding a subdivision to read:

Subd. 17. [DISCLOSURE TO DEPARTMENT OF COMMERCE.] The commissioner may disclose to the commissioner of commerce information required to administer the Uniform Disposition of Unclaimed Property Act in sections 354.31 to 345.60, including the social security numbers of the taxpayers whose refunds are on the report of abandoned property submitted by the commissioner to the commissioner of commerce under section 345.41. Except for data published under section 345.42, the information received that is private or nonpublic data retains its classification and can be used by the commissioner of commerce only for the purpose of verifying that the persons claiming the refunds are the owners.

Sec. 7. Minnesota Statutes 1998, section 289A.31, subdivision 2, is amended to read:

Subd. 2. [JOINT INCOME TAX RETURNS.] (a) If a joint income tax return is made by a husband and wife, the liability for the tax is joint and several. A spouse who is relieved of qualifies for relief from a liability attributable to a substantial an underpayment under section 6013(e) 6015(b) of the Internal Revenue Code is also relieved of the state income tax liability on the substantial underpayment.

(b) In the case of individuals who were a husband and wife prior to the dissolution of their marriage or their legal separation, or prior to the death of one of the individuals, for tax liabilities reported on a joint or combined return, the liability of each person is limited to the proportion of the tax due on the return that equals that person's proportion of the total tax due if the husband and wife filed separate returns for the taxable year. This provision is effective only when the commissioner receives written notice of the marriage dissolution, legal separation, or death of a spouse from the husband or wife. No refund may be claimed by an ex-spouse, legally separated or widowed spouse for any taxes paid more than 60 days before receipt by the commissioner of the written notice.

Sec. 8. Minnesota Statutes 1998, section 289A.40, subdivision 1, is amended to read:

Subdivision 1. [TIME LIMIT; GENERALLY.] Unless otherwise provided in this chapter, a claim for a refund of an overpayment of state tax must be filed within 3-1/2 years from the date prescribed for filing the return, plus any extension of time granted for filing the return, but only if filed within the extended time, or one year from the date of an order assessing tax under section 289A.37, subdivision 1, or an order determining an appeal under section 289A.65, subdivision 8, or one year from the date of a return made by the commissioner under section 289A.35, upon payment in full of the tax, penalties, and interest shown on the order or return made by the commissioner, whichever period expires later. Claims for refund, except for taxes under chapter 297A, filed after the 3-1/2 year period but within the one-year period are limited to the amount of the tax, penalties, and interest on the order or return made by the commissioner and to issues determined by the order or return made by the commissioner.

In the case of assessments under section 289A.38, subdivision 5 or 6, claims for refund under chapter 297A filed after the 3-1/2 year period but within the one-year period are limited to the amount of the tax, penalties, and interest on the order or return made by the commissioner that are due for the period before the 3-1/2 year period.

Sec. 9. Minnesota Statutes 1998, section 289A.40, subdivision 1a, is amended to read:

Subd. 1a. [INDIVIDUAL INCOME TAXES; REASONABLE CAUSE SUSPENSION DURING PERIOD OF DISABILITY.] If the taxpayer establishes reasonable cause for failing to timely file the return required by section 289A.08, subdivision 1, files the required return within ten years of the date specified in section 289A.18, subdivision 1, and independently verifies that

~~an overpayment has been made, the commissioner shall grant a refund claimed by the original return, notwithstanding the limitations of subdivision 1 meets the requirements for suspending the running of the time period to file a claim for refund under section 6511(h) of the Internal Revenue Code, the time period in subdivision 1 for the taxpayer to file a claim for an individual income tax refund is suspended.~~

Sec. 10. Minnesota Statutes 1998, section 289A.50, is amended by adding a subdivision to read:

Subd. 1a. [REFUND FORM.] On or before January 1, 2000, the commissioner of revenue shall prepare and make available to taxpayers a form for filing claims for refund of taxes paid in excess of the amount due. If the commissioner fails to prepare a form under this subdivision by January 1, 2000, any claims for refund made after January 1, 2000, and up to ten days after the form is made available to taxpayers are deemed to be made in compliance with the requirement of the form.

Sec. 11. Minnesota Statutes 1998, section 289A.50, subdivision 7, is amended to read:

Subd. 7. [REMEDIES.] (a) If the taxpayer is notified by the commissioner that the refund claim is denied in whole or in part, the taxpayer may:

(1) file an administrative appeal as provided in section 289A.65, or an appeal with the tax court, within 60 days after issuance of the commissioner's notice of denial; or

(2) file an action in the district court to recover the refund.

(b) An action in the district court on a denied claim for refund must be brought within 18 months of the date of the denial of the claim by the commissioner.

(c) No action in the district court or the tax court shall be brought within six months of the filing of the refund claim unless the commissioner denies the claim within that period.

(d) If a taxpayer files a claim for refund and the commissioner has not issued a denial of the claim, the taxpayer may bring an action in the district court or the tax court at any time after the expiration of six months of the time the claim was filed, but within four years of the date that the claim was filed.

(e) If the claim for refund has been filed on and in compliance with the requirements of the form prepared by the commissioner under subdivision 1a and if the commissioner has not denied the claim within 30 months after the claim was filed, the claim is deemed granted on the last day of the 30th month. The commissioner shall refund the amount claimed. The commissioner and the taxpayer may agree to extend the 30-month period before its expiration.

(f) The commissioner and the taxpayer may agree to extend the period for bringing an action in the district court.

~~(f)~~ (g) An action for refund of tax by the taxpayer must be brought in the district court of the district in which lies the county of the taxpayer's residence or principal place of business. In the case of an estate or trust, the action must be brought at the principal place of its administration. Any action may be brought in the district court for Ramsey county.

Sec. 12. Minnesota Statutes 1998, section 289A.60, subdivision 3, is amended to read:

Subd. 3. [COMBINED PENALTIES.] When penalties are imposed under subdivisions 1 and 2, ~~except for the minimum penalty under subdivision 2,~~ the penalties imposed under both subdivisions combined must not exceed 38 percent.

Sec. 13. Minnesota Statutes 1998, section 289A.60, subdivision 21, is amended to read:

Subd. 21. [PENALTY FOR FAILURE TO MAKE PAYMENT BY ELECTRONIC FUNDS TRANSFER.] (a) In addition to other applicable penalties imposed by this section, after notification from the commissioner to the taxpayer that payments are required to be made by means of electronic funds transfer under section 289A.20, subdivision 2, paragraph (e), or 4,

paragraph (d), or 289A.26, subdivision 2a, and the payments are remitted by some other means, there is a penalty in the amount of five percent of each payment that should have been remitted electronically. The penalty can be abated under the abatement procedures prescribed in section 270.07, subdivision 6, if the failure to remit the payment electronically is due to reasonable cause.

~~(b) The penalty under paragraph (a) does not apply if the taxpayer pays by other means the amount due at least three business days before the date the payment is due. This paragraph does not apply after December 31, 1997.~~

Sec. 14. Minnesota Statutes 1998, section 297A.15, subdivision 5, is amended to read:

Subd. 5. [REFUND; APPROPRIATION.] Notwithstanding the provisions of sections 297A.02, subdivision 5, and 297A.25, subdivision 42, the tax on sales of capital equipment, and replacement capital equipment, shall be imposed and collected as if the rate under section 297A.02, subdivision 1, applied. Upon application by the purchaser, on forms prescribed by the commissioner, a refund equal to the reduction in the tax due as a result of the application of the exemption under section 297A.25, subdivision 42, and the rate under section 297A.02, subdivision 5, shall be paid to the purchaser. The application must include sufficient information to permit the commissioner to verify the sales tax paid for the project. The application shall include information necessary for the commissioner initially to verify that the purchases qualified as capital equipment under section 297A.25, subdivision 42, or replacement capital equipment under section 297A.01, subdivision 20. No more than two applications for refunds may be filed under this subdivision in a calendar year. Unless otherwise specifically provided by this subdivision, the provisions of ~~section~~ sections 289A.40 and 289A.50 apply to the refunds payable under this subdivision. There is annually appropriated to the commissioner of revenue the amount required to make the refunds.

The amount to be refunded shall bear interest at the rate in section 270.76 from the date the refund claim is filed with the commissioner.

Sec. 15. Minnesota Statutes 1998, section 298.24, subdivision 1, is amended to read:

Subdivision 1. (a) For concentrate produced in ~~1997 and 1998~~ 1999 and thereafter, 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 \$2.141 per gross ton of merchantable iron ore concentrate produced therefrom.

~~(b) For concentrates produced in 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. "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.~~

~~(e)~~ 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)~~ (c) 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~~ current year's tax rate ~~determined under this subdivision.~~ This clause paragraph 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)~~ (d) If the tax or any part of the tax imposed by this subdivision is held to be unconstitutional, a tax of \$2.141 per gross ton of merchantable iron ore concentrate produced shall be imposed.

~~(e)~~ (e) 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)~~ (f)(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.

(g) For purposes of distribution of the tax proceeds under section 298.28, "implicit price deflator" means the implicit price deflator for the gross domestic product prepared by the Bureau of Economic Analysis of the United States Department of Commerce, from the fourth quarter of the second preceding year to the fourth quarter of the preceding year.

Sec. 16. Minnesota Statutes 1998, section 298.28, subdivision 9a, is amended to read:

Subd. 9a. [TACONITE ECONOMIC DEVELOPMENT FUND.] (a) 15.4 25.4 cents per ton for distributions in 1996, 1998, 1999, and 2000 and 20.4 cents per ton for distributions in 1997 shall be paid to the taconite economic development fund. For each of the following nine years thereafter, the amount per ton for distributions must be increased 1.7 cents over the amount for the previous year and 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. 17. Minnesota Statutes 1998, section 360.55, is amended by adding a subdivision to read:

Subd. 8. [AGRICULTURAL AIRCRAFT.] Aircraft registered with the Federal Aviation Administration as restricted category aircraft used for agricultural purposes must be listed for taxation and registration upon filing by the owner a sworn affidavit with the commissioner. The affidavit must state:

- (1) the name and address of the owner;
- (2) the name and address of the person from whom purchased;
- (3) the aircraft's make, year, model number, federal registration number, and manufacturer's identification number; and
- (4) that the aircraft is owned and operated solely for agricultural operations and purposes.

The owner shall file the affidavit and pay an annual fee established under sections 360.511 to 360.67, which must not exceed \$500. Should the aircraft be operated other than for agricultural purposes, the owner shall list the aircraft for taxation and registration under sections 360.511 to 360.67. If the aircraft is sold, the new owner shall list the aircraft for taxation and registration under this subdivision or under sections 360.511 to 360.67, as applicable.

Sec. 18. Minnesota Statutes 1998, section 469.169, subdivision 12, is amended to read:

Subd. 12. [ADDITIONAL ZONE ALLOCATIONS.] (a) In addition to tax reductions authorized in subdivisions 7, 8, 9, 10, and 11, the commissioner shall allocate tax reductions to border city enterprise zones located on the western border of the state. The cumulative total amount of tax reductions for all years of the program under sections 469.1731 to 469.1735, is limited to:

- (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.

Allocations made under this subdivision may be used for tax reductions provided in section 469.1732 or 469.1734 or for reimbursements under section 469.1735, subdivision 3, but only if the municipality determines that the granting of the tax reduction or offset is necessary to enable a business to expand within a city or to attract a business to a city. Limitations on allocations under subdivision 7 do not apply to this allocation.

(b) The limit in the allocation in paragraph (a) for a municipality may be waived by the commissioner if the commissioner of revenue finds that the municipality must provide an incentive under section 469.1732 or 469.1734 that, by itself or when aggregated with all other tax reductions granted by the municipality under those provisions, exceeds the municipality's maximum allocation under paragraph (a), in order to obtain or retain a business in the city that would not occur in the municipality without the incentive. The limit may be waived only if the commissioner finds that the business for which the tax incentives are to be provided:

- (1) requires a private capital investment of at least \$1,000,000 within the city;
- (2) employs at least 25 new or additional full-time equivalent employees within the city; and
- (3) pays its employees at the location in the city wages that, on the average, will exceed the average wage paid in the county in which the municipality is located.

Any waiver granted under this paragraph must be reported within 60 days to the commissioner of finance and the chairs of the house and senate tax committees.

Sec. 19. Minnesota Statutes 1998, section 469.169, is amended by adding a subdivision to read:

Subd. 14. [ADDITIONAL BORDER CITY ALLOCATIONS.] In addition to tax reductions authorized in subdivisions 7 to 12, the commissioner may allocate \$1,500,000 for tax reductions to border city enterprise zones in cities located on the western border of the state. The commissioner shall make allocations to zones in cities on the western border on a per capita basis. Allocations made under this subdivision may be used for tax reductions as provided in section 469.171, or other offsets of taxes imposed on or remitted by businesses located in the enterprise zone, but only if the municipality determines that the granting of the tax reduction or offset is necessary in order to retain a business within or attract a business to the zone. Limitations on allocations under subdivision 7, do not apply to this allocation.

Sec. 20. Minnesota Statutes 1998, section 469.1735, is amended by adding a subdivision to read:

Subd. 4. [APPROPRIATION; WAIVERS.] An amount sufficient to fund any tax reductions under a waiver made by the commissioner under section 469.169, subdivision 12, paragraph (b), is appropriated to the commissioner of revenue from the general fund. This appropriation may not be deducted from the dollar limits under this section or section 469.169 or 469.1734.



Sec. 21. Laws 1997, Second Special Session chapter 2, section 6, is amended to read:

Sec. 6. TRADE AND ECONOMIC  
DEVELOPMENT

8,200,000

Notwithstanding the requirement in Minnesota Statutes, section 469.169, subdivision 11, as added by Laws 1997, chapter 231, article 16, section 20, to base allocations to zones in cities on the state's western border on a per capita basis, \$1,200,000 is a one-time appropriation from the general fund to the commissioner of trade and economic development for border city enterprise competitiveness grants under Minnesota Statutes, sections 469.166 to 469.173. Funds shall be allocated to communities with significant business losses that are at risk of losing business tax base due to noncompetitiveness with North Dakota and South Dakota and shall be available to communities for locally administered measures to retain their job base. Allocations made under this paragraph may be used for tax reductions as provided in Minnesota Statutes, section 469.171, or other offsets of taxes imposed on or remitted by businesses located in the enterprise zone, but only if the municipality determines that the granting of the tax reduction or offset is necessary in order to retain a business within or attract a business to the zone. Limitations on allocations under Minnesota Statutes, section 469.169, subdivision 7, do not apply to this appropriation. Enterprise zones that receive allocations under this paragraph may continue in effect for purposes of those allocations through ~~December 31, 1998~~ June 30, 1999.

\$6,000,000 is a one-time appropriation from the general fund to the Minnesota investment fund for grants to local units of government for locally administered operating loan programs for businesses directly and adversely affected by the floods. Loan criteria and requirements shall be locally established with approval by the department. For the purposes of this appropriation, Minnesota Statutes, sections 116J.8731, subdivisions 3, 4, 5, and 7, and 116J.991, are waived. Businesses that receive grants or loans from this appropriation shall set goals for jobs retained and wages paid within the area designated under Presidential Declaration of Major Disaster, DR-1175.

\$1,000,000 is a one-time appropriation from the petroleum tank release cleanup fund to the commissioner of trade and economic

development. Notwithstanding Minnesota Statutes, section 115C.08, subdivision 4, as amended by Laws 1997, chapter 200, article 2, section 4, these funds are to be used for grants to buy out property substantially damaged by a petroleum tank release.

Sec. 22. [EXTENSIONS FOR OPERATION ALLIED FORCE SERVICE MEMBERS.]

The limitations of time provided by Minnesota Statutes, chapter 289A relating to administration of taxes, chapter 290 relating to income taxes, chapter 271 relating to the tax court for filing returns, paying taxes, claiming refunds, commencing action thereon, appealing to the tax court from orders relating to income taxes, and the filing of petitions under chapter 278, and appealing to the Supreme Court from decisions of the tax court relating to income taxes are extended, as provided in the special rule for section 7508 of the Internal Revenue Code in section 1, paragraph (c), of Public Law Number 106-21.

Sec. 23. [TRANSFER.]

The commissioner of finance shall transfer \$2,000,000 from the conservation fund under Minnesota Statutes, section 40A.151, to the general fund on July 1, 1999.

Sec. 24. [APPROPRIATION.]

\$1,000,000 is appropriated to the commissioner of revenue from the general fund for the cost of administering this act. This appropriation is for fiscal year 2000 and any unspent amount may be carried over to fiscal year 2001. This is a one-time appropriation and not part of the budget base for the department.

Sec. 25. [REPEALER.]

Minnesota Statutes 1998, sections 297E.12, subdivision 3; 297F.19, subdivision 4; and 297G.18, subdivision 4, are repealed.

Sec. 26. [EFFECTIVE DATES.]

Sections 3, 6, 10, 13, 14, 18, 19, 21, and 25 are effective the day following final enactment.

Section 4 is effective for checks received on or after the day following final enactment.

Section 5 is effective the day following final enactment, and applies to offers-in-compromise submitted after June 30, 1999.

Section 7, paragraph (a), is effective at the same time that section 6015(b) of the Internal Revenue Code is effective for federal tax purposes. Section 7, paragraph (b), is effective for claims for innocent spouse relief, requests for allocation of joint income tax liability, and taxes filed or paid on or after the day following final enactment.

Section 8 is effective for orders issued on or after the day following final enactment.

Section 9 is effective for disabilities existing on or after the date of enactment for which claims for refund have not expired under the time limit in Minnesota Statutes, section 289A.40, subdivision 1. Claims based upon reasonable cause must be filed prior to the expiration of the repealed ten-year period or within one year after the date of enactment, whichever is earlier.

Section 11 is effective for claims for refund filed after December 31, 1999.

Section 12 is effective for tax years ending on or after the day following final enactment.

Section 15 is effective for concentrates produced in 1999 and thereafter.

Section 16 is effective for distributions in 2000 to 2009.

Section 17 is effective for aircraft registered after June 30, 1999.

Section 22 is effective at the same time section 1, paragraph (c), of Public Law Number 106-21 becomes effective."

Delete the title and insert:

"A bill for an act relating to financing state and local government; providing a sales tax rebate; reducing individual income tax rates; making changes to income, sales and use, property, excise, mortgage registry and deed, health care provider, motor fuels, cigarette and tobacco, liquor, insurance premiums, aircraft registration, lawful gambling, taconite production, solid waste, and special taxes; establishing an agricultural homestead credit; changing and allowing tax credits, subtractions, and exemptions; changing property tax valuation, assessment, levy, classification, homestead, credit, aid, exemption, review, appeal, abatement, and distribution provisions; extending levy limits and changing levy authority; providing for reverse referenda on certain levy increases; phasing out health care provider taxes; extending the suspension of the tax on certain insurance premiums; reducing tax rates on lawful gambling; changing tax increment financing law and providing special authority for certain cities; authorizing water and sanitary sewer districts; providing for the funding of courts in certain judicial districts; changing tax forfeiture and delinquency provisions; changing and clarifying tax administration, collection, enforcement, and penalty provisions; freezing the taconite production tax and providing for its distribution; providing for funding for border cities; changing fiscal note requirements; providing for deposit of tobacco settlement funds; providing for allocation of certain budget surpluses; requiring studies; establishing a task force; and providing for appointments; transferring funds; appropriating money; amending Minnesota Statutes 1998, sections 3.986, subdivision 2; 3.987, subdivision 1; 16A.152, subdivision 2, and by adding a subdivision; 16A.1521; 60A.15, subdivision 1; 62J.041, subdivision 1; 62Q.095, subdivision 6; 92.51; 97A.065, subdivision 2; 214.16, subdivisions 2 and 3; 270.07, subdivision 1; 270.65; 270.67, by adding a subdivision; 270B.01, subdivision 8; 270B.14, subdivision 1, and by adding a subdivision; 271.01, subdivision 5; 271.21, subdivision 2; 272.02, subdivision 1; 272.027; 272.03, subdivision 6; 273.11, subdivisions 1a and 16; 273.111, by adding a subdivision; 273.124, subdivisions 1, 7, 8, 13, 14, and by adding a subdivision; 273.13, subdivisions 22, 23, 24, 25, 31, and by adding a subdivision; 273.1382; 273.1398, subdivisions 2, 8, and by adding a subdivision; 273.1399, subdivision 6; 273.20; 274.01, subdivision 1; 275.065, subdivisions 3, 5a, 6, 8, and by adding a subdivision; 275.07, subdivision 1; 275.71, subdivisions 2, 3, and 4; 276.131; 279.37, subdivisions 1, 1a, and 2; 281.23, subdivisions 2, 4, and 6; 282.01, subdivisions 1, 4, and 7; 282.04, subdivision 2; 282.05; 282.08; 282.09; 282.241; 282.261, subdivision 4, and by adding a subdivision; 283.10; 287.01, subdivision 3, as amended; 287.05, subdivisions 1, as amended, and 1a, as amended; 289A.02, subdivision 7; 289A.18, subdivision 4; 289A.20, subdivision 4; 289A.31, subdivision 2; 289A.40, subdivisions 1 and 1a; 289A.50, subdivision 7, and by adding a subdivision; 289A.56, subdivision 4; 289A.60, subdivisions 3 and 21; 290.01, subdivisions 7, 19, 19a, 19b, 19f, 31, and by adding a subdivision; 290.06, subdivisions 2c, 2d, and by adding subdivisions; 290.0671, subdivision 1; 290.0672, subdivision 1; 290.0674, subdivisions 1 and 2; 290.091, subdivisions 1, 2, and 6; 290.0921, subdivision 5; 290.095, subdivision 3; 290.17, subdivisions 3, 4, and 6; 290.191, subdivisions 2 and 3; 290.9725; 290.9726, by adding a subdivision; 290A.03, subdivisions 3 and 15; 290B.03, subdivision 1; 290B.04, subdivisions 3 and 4; 290B.05, subdivision 1; 291.005, subdivision 1; 295.50, subdivision 4; 295.52, subdivision 7; 295.53, subdivision 1; 295.55, subdivisions 2 and 3; 296A.16, by adding subdivisions; 297A.01, subdivision 15; 297A.15, subdivision 5; 297A.25, subdivisions 9, 11, 63, 73, and by adding subdivisions; 297A.48, by adding a subdivision; 297B.01, subdivision 7; 297B.03; 297E.01, by adding a subdivision; 297E.02, subdivisions 1, 3, 4, and 6; 297F.01, subdivision 23; 297F.17, subdivision 6; 297H.05; 297H.06, subdivision 2; 298.24, subdivision 1; 298.28, subdivision 9a; 299D.03, subdivision 5; 357.021, subdivision 1a; 360.55, by adding a subdivision; 375.192, subdivision 2; 383C.482, subdivision 1; 465.82, by adding a subdivision; 469.169, subdivision 12, and by adding a subdivision; 469.1735, by adding a subdivision; 469.176, subdivision 4g; 469.1763, by adding a subdivision; 469.1771, subdivision 1, and by adding a subdivision; 469.1791, subdivision 3; 469.1813, subdivisions 1, 2, 3, 6, and by adding a subdivision; 469.1815, subdivision 2; 473.249, subdivision 1; 473.252, subdivision 2; 473.253, subdivision 1; 477A.03, subdivision 2; 477A.06, subdivision 1; 485.018, subdivision 5; 487.02, subdivision 2; 487.32, subdivision 3; 487.33, subdivision 5; and 574.34, subdivision 1;

Laws 1988, chapter 645, section 3; Laws 1997, chapter 231, article 1, section 19, subdivisions 1 and 3; Laws 1997, chapter 231, article 3, section 9; Laws 1997, First Special Session chapter 3, section 27; Laws 1997, Second Special Session chapter 2, section 6; Laws 1998, chapter 389, article 1, section 1; and Laws 1998, chapter 389, article 8, section 44, subdivisions 5, 6, and 7, as amended; proposing coding for new law in Minnesota Statutes, chapters 16A; 62Q; 256L; 275; 297A; 469; and 473; repealing Minnesota Statutes 1998, sections 13.99, subdivision 86b; 16A.724; 16A.76; 92.22; 144.1484, subdivision 2; 256L.02, subdivision 3; 273.11, subdivision 10; 280.27; 281.13; 281.38; 284.01; 284.02; 284.03; 284.04; 284.05; 284.06; 295.50; 295.51; 295.52; 295.53; 295.54; 295.55; 295.56; 295.57; 295.58; 295.582; 295.59; 297E.12, subdivision 3; 297F.19, subdivision 4; 297G.18, subdivision 4; and 473.252, subdivisions 4 and 5; Laws 1997, chapter 231, article 1, section 19, subdivision 2; and Laws 1998, chapter 389, article 3, section 45."

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 24 and nays 39, as follows:

Those who voted in the affirmative were:

Belanger	Johnson, D.E.	Larson	Olson	Scheevel
Day	Kierlin	Lesewski	Pariseau	Stevens
Dille	Kiscaden	Limmer	Robertson	Terwilliger
Fischbach	Kleis	Neuville	Robling	Ziegler
Frederickson	Knutson	Oliver	Runbeck	

Those who voted in the negative were:

Anderson	Higgins	Kelly, R.C.	Novak	Scheid
Berg	Hottinger	Krentz	Pappas	Spear
Berglin	Janezich	Langseth	Piper	Stumpf
Betzold	Johnson, D.H.	Lessard	Pogemiller	Ten Eyck
Cohen	Johnson, D.J.	Lourey	Price	Vickerman
Flynn	Johnson, J.B.	Marty	Ranum	Wiener
Foley	Junge	Metzen	Sams	Wiger
Hanson	Kelley, S.P.	Moe, R.D.	Samuelson	

The motion did not prevail. So the amendment was not adopted.

Senator Johnson, D.J. moved that those not voting be excused from voting. The motion prevailed.

H.F. No. 2420 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 41 and nays 22, as follows:

Those who voted in the affirmative were:

Anderson	Hanson	Kelley, S.P.	Pappas	Stumpf
Belanger	Higgins	Kelly, R.C.	Piper	Ten Eyck
Berg	Hottinger	Krentz	Pogemiller	Vickerman
Berglin	Janezich	Langseth	Price	Wiener
Betzold	Johnson, D.E.	Lessard	Ranum	Wiger
Cohen	Johnson, D.H.	Lourey	Sams	
Dille	Johnson, D.J.	Metzen	Samuelson	
Flynn	Johnson, J.B.	Moe, R.D.	Scheid	
Foley	Junge	Novak	Spear	

Those who voted in the negative were:

Day	Kleis	Marty	Robertson	Terwilliger
Fischbach	Knutson	Neuville	Robling	Ziegler
Frederickson	Larson	Oliver	Runbeck	
Kierlin	Lesewski	Olson	Scheevel	
Kiscaden	Limmer	Pariseau	Stevens	

So the bill, as amended, was passed and its title was agreed to.

**MOTIONS AND RESOLUTIONS - CONTINUED**

Senator Johnson, D.J. moved that S.F. No. 1276, No. 31 on General Orders, be stricken and laid on the table. The motion prevailed.

S.F. No. 2234 and the Conference Committee Report thereon were reported to the Senate.

**CONFERENCE COMMITTEE REPORT ON S.F. NO. 2234**

A bill for an act relating to public administration; making deficiency appropriations for state government operations; transferring money; appropriating money.

April 29, 1999

The Honorable Allan H. Spear  
President of the Senate

The Honorable Steve Sviggum  
Speaker of the House of Representatives

We, the undersigned conferees for S.F. No. 2234, report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendment and that S.F. No. 2234 be further amended as follows:

Page 1, line 15, delete "1,000,000" and insert "800,000"

Page 1, line 20, delete "\$17,361,000" and insert "\$17,161,000"

Page 1, line 21, delete "5,085,000" and insert "4,885,000"

Page 1, line 25, delete "17,361,000" and insert "17,161,000"

Page 2, line 24, delete "1,000,000" and insert "800,000"

Page 2, line 25, delete "\$1,000,000" and insert "(a) \$800,000"

Page 2, line 28, after the period, insert:

"Notwithstanding Laws 1994, chapter 643, section 27, subdivision 2, as amended by Laws 1996, chapter 463, section 54, the zoological board may institute an admission fee increase before April 1, 2000.

(b) The zoological board must submit a report to the governor and legislature by February 1, 2000, analyzing alternative governing structures, including, but not limited to, conversion to a private nonprofit or local governmental entity. The report must include analysis of the impact on ownership of the facility, impacts on employees, and ongoing costs to the state related to any changes in governance structure. Release of the 2001 appropriation is contingent upon making significant progress toward financial self-sufficiency."

Adjust totals and numbers accordingly

We request adoption of this report and repassage of the bill.

Senate Conferees: (Signed) Richard J. Cohen, Keith Langseth, Dennis R. Frederickson

House Conferees: (Signed) Dave Bishop, Chris Gerlach, Tom Osthoff

Senator Cohen moved that the foregoing recommendations and Conference Committee Report on S.F. No. 2234 be now adopted, and that the bill be repassed as amended by the Conference Committee. The motion prevailed. So the recommendations and Conference Committee Report were adopted.

S.F. No. 2234 was read the third time, as amended by the Conference Committee, and placed on its repassage.

The question was taken on the repassage of the bill, as amended by the Conference Committee.

The roll was called, and there were yeas 62 and nays 0, as follows:

Those who voted in the affirmative were:

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

So the bill, as amended by the Conference Committee, was repassed and its title was agreed to.

### MOTIONS AND RESOLUTIONS - CONTINUED

Senator Cohen moved that the letter from the Governor dated February 5, 1999, printed in the Journal for February 22, 1999, page 300, relating to the appointment of Pam Wheelock as Commissioner of the Department of Finance, be withdrawn from the Committee on Governmental Operations and Veterans and re-referred to the Committee on State Government Finance. The motion prevailed.

### INTRODUCTION AND FIRST READING OF SENATE BILLS

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

#### Senator Marty introduced--

**S.F. No. 2243:** A bill for an act relating to firearms; prohibiting persons convicted of violent crimes from possessing firearms for the remainder of the person's lifetime; requiring persons who own or possess a firearm to obtain a license from the commissioner of public safety; establishing standards for the issuance of licenses; requiring transferors and owners of firearms to register with the commissioner of public safety; authorizing local regulation of firearms and ammunition; imposing penalties; appropriating money; amending Minnesota Statutes 1998, sections 609.165, subdivisions 1a and 1b; 624.712, subdivision 6, and by adding a subdivision; 624.713, subdivisions 1 and 3; 624.714, subdivisions 3, 4, 5, and 8; and 624.7151; proposing coding for new law in Minnesota Statutes, chapters 299A; and 624; repealing Minnesota Statutes 1998, sections 471.633; 609.66, subdivision 1f; 624.711; 624.7131; 624.7132; 624.7141; 624.715; 624.717; and 624.74, subdivision 4.

Referred to the Committee on Crime Prevention.

**Senators Janezich; Metzen; Day; Murphy and Pariseau introduced--**

**S.F. No. 2244:** A bill for an act relating to gambling; allowing a class B licensee of a class A racetrack conducting horse racing to conduct card club activities; amending Minnesota Statutes 1998, sections 240.01, by adding subdivisions; 240.03; 240.15, subdivision 1; 240.23; 541.20; 541.21; and 609.761, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 240.

Referred to the Committee on Local and Metropolitan Government.

**MEMBERS EXCUSED**

Senator Piper was excused from the Session of today from 11:00 a.m. to 12:00 noon. Senator Olson was excused from the Session of today from 11:00 a.m. to 2:00 p.m. Senator Dille was excused from the Session of today from 11:45 a.m. to 12:10 p.m. Senator Higgins was excused from the Session of today from 12:00 noon to 1:20 p.m. Senator Robling was excused from the Session of today from 1:05 to 1:20 p.m. Senator Laidig was excused from the Session of today at 3:30 p.m.

**ADJOURNMENT**

Senator Moe, R.D. moved that the Senate do now adjourn until 10:00 a.m., Monday, May 3, 1999. The motion prevailed.

Patrick E. Flahaven, Secretary of the Senate





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