

STATE OF MINNESOTA

EIGHTY-THIRD SESSION — 2004

 NINETY-FOURTH DAY

SAINT PAUL, MINNESOTA, WEDNESDAY, APRIL 21, 2004

The House of Representatives convened at 12:00 noon and was called to order by Steve Sviggum, Speaker of the House.

Prayer was offered by the Reverend Gale Robb, The House of Hope Presbyterian Church, St. Paul, Minnesota.

The members of the House gave the pledge of allegiance to the flag of the United States of America.

The roll was called and the following members were present:

Abeler	DeLaForest	Hilstrom	Lenczewski	Otremba	Solberg
Abrams	Demmer	Hilty	Lesch	Otto	Stang
Adolphson	Dempsey	Holberg	Lieder	Ozment	Strachan
Anderson, B.	Dorman	Hoppe	Lindgren	Paulsen	Sykora
Anderson, I.	Dorn	Hornstein	Lindner	Paymar	Thao
Anderson, J.	Eastlund	Howes	Lipman	Pelowski	Thissen
Atkins	Eken	Huntley	Magnus	Penas	Tingelstad
Beard	Ellison	Jacobson	Mahoney	Peterson	Urdahl
Bernardy	Entenza	Jaros	Mariani	Pugh	Vandever
Biernat	Erhardt	Johnson, J.	Marquart	Rhodes	Wagenius
Blaine	Erickson	Johnson, S.	McNamara	Rukavina	Walker
Borrell	Finstad	Juhnke	Meslow	Ruth	Walz
Boudreau	Fuller	Kahn	Mullery	Samuelson	Wardlow
Bradley	Gerlach	Kelliher	Murphy	Seagren	Wasiluk
Brod	Goodwin	Klinzing	Nelson, C.	Seifert	Westerberg
Buesgens	Greiling	Knoblach	Nelson, M.	Sertich	Westrom
Carlson	Gunther	Koenen	Nelson, P.	Severson	Wilkin
Clark	Haas	Krinkie	Newman	Sieben	Zellers
Cornish	Hackbarth	Kohls	Nornes	Simpson	Spk. Sviggum
Cox	Harder	Kuisle	Olson, M.	Slawik	
Davids	Hausman	Lanning	Opatz	Smith	
Davnie	Heidgerken	Latz	Osterman	Soderstrom	

A quorum was present.

Dill; Larson; Olsen, S.; Powell and Swenson were excused.

The Chief Clerk proceeded to read the Journal of the preceding day. Lanning moved that further reading of the Journal be suspended and that the Journal be approved as corrected by the Chief Clerk. The motion prevailed.

REPORTS OF CHIEF CLERK

S. F. No. 1639 and H. F. No. 1972, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Pugh moved that the rules be so far suspended that S. F. No. 1639 be substituted for H. F. No. 1972 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 2009 and H. F. No. 2044, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Davids moved that the rules be so far suspended that S. F. No. 2009 be substituted for H. F. No. 2044 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 2494 and H. F. No. 2587, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Slawik moved that the rules be so far suspended that S. F. No. 2494 be substituted for H. F. No. 2587 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 2851 and H. F. No. 2555, which had been referred to the Chief Clerk for comparison, were examined and found to be identical.

Blaine moved that S. F. No. 2851 be substituted for H. F. No. 2555 and that the House File be indefinitely postponed. The motion prevailed.

PETITIONS AND COMMUNICATIONS

The following communication was received:

STATE OF MINNESOTA
OFFICE OF THE SECRETARY OF STATE
ST. PAUL 55155

The Honorable Steve Sviggum
Speaker of the House of Representatives

The Honorable James P. Metzen
President of the Senate

I have the honor to inform you that the following enrolled Act of the 2004 Session of the State Legislature has been received from the Office of the Governor and is deposited in the Office of the Secretary of State for preservation, pursuant to the State Constitution, Article IV, Section 23:

<i>S. F. No.</i>	<i>H. F. No.</i>	<i>Session Laws Chapter No.</i>	<i>Time and Date Approved 2004</i>	<i>Date Filed 2004</i>
1614		159	1:35 p.m. April 19	April 19

Sincerely,

MARY KIFFMEYER
Secretary of State

REPORTS OF STANDING COMMITTEES

Abrams from the Committee on Taxes to which was referred:

H. F. No. 2540, A bill for an act relating to taxation; authorizing housing and redevelopment authorities to pledge the full faith and credit of a governmental unit to bonds issued to finance certain housing development projects; amending Minnesota Statutes 2002, section 469.034, subdivision 2.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

"ARTICLE 1

INCOME, FRANCHISE, AND OCCUPATION TAXES

Section 1. Minnesota Statutes 2002, section 289A.08, subdivision 1, is amended to read:

Subdivision 1. [GENERALLY; INDIVIDUALS.] (a) A taxpayer must file a return for each taxable year the taxpayer is required to file a return under section 6012 of the Internal Revenue Code, except that:

(1) an individual who is not a Minnesota resident for any part of the year is not required to file a Minnesota income tax return if the individual's gross income derived from Minnesota sources as determined under sections 290.081, paragraph (a), and 290.17, is less than the filing requirements for a single individual who is a full year resident of Minnesota; and

(2) an individual who is a Minnesota resident is not required to file a Minnesota income tax return if the individual's gross income derived from Minnesota sources as determined under section 290.17, less the amount of the individual's gross income that consists of compensation paid to members of the armed forces of the United States or United Nations for active duty performed outside Minnesota, is less than the filing requirements for a single individual who is a full-year resident of Minnesota.

(b) The decedent's final income tax return, and other income tax returns for prior years where the decedent had gross income in excess of the minimum amount at which an individual is required to file and did not file, must be filed by the decedent's personal representative, if any. If there is no personal representative, the return or returns must be filed by the transferees, as defined in section 289A.38, subdivision 13, who receive property of the decedent.

(c) The term "gross income," as it is used in this section, has the same meaning given it in section 290.01, subdivision 20.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2003.

Sec. 2. Minnesota Statutes 2003 Supplement, section 289A.08, subdivision 16, is amended to read:

Subd. 16. [TAX REFUND OR RETURN PREPARERS; ELECTRONIC FILING; PAPER FILING FEE IMPOSED.] (a) A "tax refund or return preparer," as defined in section 289A.60, subdivision 13, paragraph (g), who prepared more than ~~500~~ 100 Minnesota individual income tax returns for the prior calendar year must file all Minnesota individual income tax returns prepared for the current calendar year by electronic means. "Tax refund or return preparer" does not include (i) an organization that meets the requirements of section 501(c)(3) of the Internal Revenue Code or (ii) an individual hired by such an organization for the purpose of preparing tax returns.

(b) ~~For tax returns prepared for the tax year beginning in 2001, the "500" in paragraph (a) is reduced to 250.~~

~~(c) For tax returns prepared for tax years beginning after December 31, 2001, the "500" in paragraph (a) is reduced to 100.~~

~~(d) Paragraph (a) does not apply to a return if the taxpayer has indicated on the return that the taxpayer did not want the return filed by electronic means.~~

~~(e) (c) For each return that is not filed electronically by a tax refund or return preparer under this subdivision, including returns filed under paragraph ~~(d)~~ (b), a paper filing fee of \$5 is imposed upon the preparer. The fee is collected from the preparer in the same manner as income tax. The fee does not apply to returns that the commissioner requires to be filed in paper form.~~

[EFFECTIVE DATE.] This section is effective for returns filed for tax years beginning after December 31, 2003.

Sec. 3. Minnesota Statutes 2003 Supplement, section 290.01, subdivision 7, is amended to read:

Subd. 7. [RESIDENT.] (a) The term "resident" means any individual domiciled in Minnesota, except that an individual is not a "resident" for the period of time that the individual is ~~either:~~

~~(1) on active duty stationed outside of Minnesota while in the armed forces of the United States or the United Nations; or~~

~~(2) a "qualified individual" as defined in section 911(d)(1) of the Internal Revenue Code, if the qualified individual notifies the county within three months of moving out of the country that homestead status be revoked for the Minnesota residence of the qualified individual, and the property is not classified as a homestead while the individual remains a qualified individual.~~

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

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

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

For purposes of this subdivision, presence within the state for any part of a calendar day constitutes a day spent in the state. Individuals shall keep adequate records to substantiate the days spent outside the state.

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

(c) 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.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2003.

Sec. 4. Minnesota Statutes 2003 Supplement, section 290.01, subdivision 19b, is amended to read:

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

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

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

(3) the amount paid to others, less the amount used to claim the credit allowed under section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and transportation of each qualifying child in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause, "textbooks" includes books and other instructional materials and equipment purchased or leased for use in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. Equipment expenses qualifying for deduction includes expenses as defined and limited in section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or transportation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs. 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) income as provided under section 290.0802;

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

(6) to the extent included in federal taxable income, postservice benefits for youth community service under section 124D.42 for volunteer service under United States Code, title 42, sections 12601 to 12604;

(7) 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;

(8) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code;

(9) for individuals who are allowed a federal foreign tax credit for taxes that do not qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover of subnational foreign taxes for the taxable year, but not to exceed the total subnational foreign taxes reported in claiming the foreign tax credit. For purposes of this clause, "federal foreign tax credit" means the credit allowed under section 27 of the Internal Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed under section 904(c) of the Internal Revenue Code minus national level foreign taxes to the extent they exceed the federal foreign tax credit;

(10) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (7), or subdivision 19c, clause (16), an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or, in the case of a corporation that converts to an "S" corporation, the addition made under subdivision 19c, clause (16), minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. The resulting delayed depreciation cannot be less than zero; ~~and~~

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

(12) the amount of compensation paid to members of the Minnesota National Guard or other reserve components of the United States military for active service performed in Minnesota, excluding compensation for services performed under the Active Guard Reserve (AGR) program. For purposes of this clause, "active service" means (i) state active service as defined in section 190.05, subdivision 5a, clause (1); (ii) federally funded state active service as defined in section 190.05, subdivision 5b; or (iii) federal active service as defined in section 190.05, subdivision 5c, but "active service" excludes services performed exclusively for purposes of basic combat training, advanced individual training, annual training, and periodic inactive duty training; special training periodically made available to reserve members; and service performed in accordance with section 190.08, subdivision 3;

(13) the amount of compensation paid to members of the armed forces of the United States or United Nations for active duty performed outside Minnesota; and

(14) to the extent not deducted in computing federal taxable income, an amount, not to exceed \$10,000, equal to qualified expenses related to a qualified donor's donation, while living, of one or more of the qualified donor's organs to another person for human organ transplantation. For purposes of determining the extent to which expenses are deducted in computing federal taxable income, travel and lodging expenses related to an organ donation are considered deducted by an individual in determining federal taxable income to the extent they exceed 7.5 percent of federal adjusted gross income as defined in section 62 of the Internal Revenue Code. For purposes of this clause, "organ" means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow; "human organ transplantation" means the medical procedure by which transfer of a human organ is made from the body of one person to the body of another person; "qualified expenses" means unreimbursed expenses for both the individual and the qualified donor for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses may be subtracted under this clause only once; and "qualified donor" means the individual or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An individual may claim the subtraction in this clause only once for each instance of organ donation for transplantation during the taxable year in which the human organ donation and transplantation occurs.

[EFFECTIVE DATE.] The changes to clause (10) of this section are effective for taxable years beginning after December 31, 2002. The rest of this section is effective for taxable years beginning after December 31, 2003.

Sec. 5. Minnesota Statutes 2003 Supplement, section 290.01, subdivision 19c, is amended to read:

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

(1) the amount of any deduction taken for federal income tax purposes for income, excise, or franchise taxes based on net income or related minimum taxes, including but not limited to the tax imposed under section 290.0922, paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or any foreign country or possession of the United States;

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

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

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

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

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

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

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

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

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

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

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

(13) 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;

(14) the amount of net income excluded under section 114 of the Internal Revenue Code;

(15) any increase in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of section 614 of Public Law 107-147; ~~and~~

(16) 80 percent of the depreciation deduction allowed under section 168(k) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k) is allowed; and

(17) the excess of deductions over income attributable to tax-exempt property, as provided under section 290.0711.

[EFFECTIVE DATE.] This section is effective for leases and service contracts or similar arrangements entered into after February 5, 2004, and for taxable years beginning after December 31, 2003.

Sec. 6. Minnesota Statutes 2003 Supplement, section 290.01, subdivision 19d, is amended to read:

Subd. 19d. [CORPORATIONS; MODIFICATIONS DECREASING FEDERAL TAXABLE INCOME.] For corporations, there shall be subtracted from federal taxable income after the increases provided in subdivision 19c:

(1) the amount of foreign dividend gross-up added to gross income for federal income tax purposes under section 78 of the Internal Revenue Code;

(2) the amount of salary expense not allowed for federal income tax purposes due to claiming the federal jobs credit under section 51 of the Internal Revenue Code;

(3) any dividend (not including any distribution in liquidation) paid within the taxable year by a national or state bank to the United States, or to any instrumentality of the United States exempt from federal income taxes, on the preferred stock of the bank owned by the United States or the instrumentality;

(4) amounts disallowed for intangible drilling costs due to differences between this chapter and the Internal Revenue Code in taxable years beginning before January 1, 1987, as follows:

(i) to the extent the disallowed costs are represented by physical property, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7, subject to the modifications contained in subdivision 19e; and

(ii) to the extent the disallowed costs are not represented by physical property, an amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section 290.09, subdivision 8;

(5) the deduction for capital losses pursuant to sections 1211 and 1212 of the Internal Revenue Code, except that:

(i) for capital losses incurred in taxable years beginning after December 31, 1986, capital loss carrybacks shall not be allowed;

(ii) for capital losses incurred in taxable years beginning after December 31, 1986, a capital loss carryover to each of the 15 taxable years succeeding the loss year shall be allowed;

(iii) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryback to each of the three taxable years preceding the loss year, subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed; and

(iv) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryover to each of the five taxable years succeeding the loss year to the extent such loss was not used in a prior taxable year and subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed;

(6) an amount for interest and expenses relating to income not taxable for federal income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or 291 of the Internal Revenue Code in computing federal taxable income;

(7) in the case of mines, oil and gas wells, other natural deposits, and timber for which percentage depletion was disallowed pursuant to subdivision 19c, clause (11), a reasonable allowance for depletion based on actual cost. In the case of leases the deduction must be apportioned between the lessor and lessee in accordance with rules prescribed by the commissioner. In the case of property held in trust, the allowable deduction must be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the trust, or if there is no provision in the instrument, on the basis of the trust's income allocable to each;

(8) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7;

(9) amounts included in federal taxable income that are due to refunds of income, excise, or franchise taxes based on net income or related minimum taxes paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or a foreign country or possession of the United States to the extent that the taxes were added to federal taxable income under section 290.01, subdivision 19c, clause (1), in a prior taxable year;

(10) 80 percent of royalties, fees, or other like income accrued or received from a foreign operating corporation or a foreign corporation which is part of the same unitary business as the receiving corporation;

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

(12) the amount of handicap access expenditures in the taxable year which are not allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue Code;

(13) the amount of qualified research expenses not allowed for federal income tax purposes under section 280C(c) of the Internal Revenue Code, but only to the extent that the amount exceeds the amount of the credit allowed under section 290.068;

(14) the amount of salary expenses not allowed for federal income tax purposes due to claiming the Indian employment credit under section 45A(a) of the Internal Revenue Code;

(15) the amount of any refund of environmental taxes paid under section 59A of the Internal Revenue Code;

(16) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code;

(17) for a corporation whose foreign sales corporation, as defined in section 922 of the Internal Revenue Code, constituted a foreign operating corporation during any taxable year ending before January 1, 1995, and a return was filed by August 15, 1996, claiming the deduction under section 290.21, subdivision 4, for income received from the foreign operating corporation, an amount equal to 1.23 multiplied by the amount of income excluded under section 114 of the Internal Revenue Code, provided the income is not income of a foreign operating company;

(18) any decrease in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of section 614 of Public Law 107-147; ~~and~~

(19) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (16), an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19c, clause (16). The resulting delayed depreciation cannot be less than zero; and

(20) amounts allowed as carryover subtractions attributable to tax-exempt property, as provided under section 290.0711.

[EFFECTIVE DATE.] This section is effective for leases and service contracts or similar arrangements entered into after February 5, 2004, and for taxable years beginning after December 31, 2003.

Sec. 7. Minnesota Statutes 2002, 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~~ for a family with one qualifying child and \$2,000 for a family with two or more qualifying children. No credit is allowed for education-related expenses for claimants with income greater than \$37,500. The maximum credit ~~per~~ for a family with one qualifying child is reduced by \$1 for each \$4 of household income over \$33,500, and the maximum credit ~~per~~ for a family with more than one qualifying child 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).

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2003.

Sec. 8. [290.0711] [TAX-EXEMPT PROPERTY; LIMITS ON TAX BENEFITS.]

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

(b) "Tax-exempt use property" has the meaning given in section 168(h) of the Internal Revenue Code, except the provisions of clause (2)(C)(ii) and paragraph (3) do not apply. If tangible property is subject to a service contract or other similar arrangement between a taxpayer or any related person and any tax-exempt entity, the contract or arrangement must be treated in the same manner as if it is tax-exempt property under this subdivision.

(c) "Taxpayer" means a corporation, subject to the corporate franchise tax under this chapter, that is claiming the deduction on the federal return and any member of its unitary group.

Subd. 2. [ADDITION OF EXCESS DEDUCTIONS.] In computing Minnesota taxable income, the taxpayer must add to federal taxable income the excess of:

(1) the aggregate amount of deductions claimed in computing federal taxable income with respect to tax-exempt use property; over

(2) the aggregate amount of income includable in federal gross income of the taxpayer for the taxable year with respect to tax-exempt use property.

Subd. 3. [CARRYOVER SUBTRACTION.] Unless otherwise provided in this section, any addition under subdivision 2 may be carried to a later taxable year and claimed as a subtraction reducing the federal taxable income of the taxpayer to the extent that income with respect to tax-exempt use property exceeds the amount of deductions claimed with respect to tax-exempt properties in computing federal taxable income for that taxable year.

Subd. 4. [SPECIAL RULES.] (a) The following rules apply to the computation of the addition under subdivision 2.

(b) Subdivision 2 applies to deductions directly allocable to any tax-exempt use property and to a proper share of other deductions that are not directly allocable to tax exempt.

(c) If property of a taxpayer ceases to be tax-exempt use property in the hands of the taxpayer, any unused carryover under subdivision 3 with respect to the property is only allowable as a subtraction for any taxable year to the extent of any net income of the taxpayer that is allocable to the property that ceased to be tax-exempt property.

(d) If during the taxable year, a taxpayer disposes of the taxpayer's entire interest in tax-exempt use property, the taxpayer may claim a subtraction for the lesser of:

(1) the amount of gain realized on the disposition and includable in federal taxable income; or

(2) the amount of additions under subdivision 2 attributable to the property and not claimed in a later year under subdivision 3.

[EFFECTIVE DATE.] This section is effective for leases and service contracts or similar arrangements entered into after February 5, 2004, and for taxable years beginning after December 31, 2003.

Sec. 9. Minnesota Statutes 2003 Supplement, section 290.091, subdivision 2, is amended to read:

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

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

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

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

(i) the charitable contribution deduction under section 170 of the Internal Revenue Code;

(A) for taxable years beginning before January 1, 2004, to the extent that the deduction exceeds 1.0 percent of adjusted gross income, as defined;

(B) for taxable years beginning after December 31, 2003, and before January 1, 2005, to the extent the deduction exceeds 0.2 percent of adjusted gross income;

(C) for taxable years beginning after December 31, 2004, to the full extent of the deduction.

For purposes of this clause, "adjusted gross income" has the meaning given in section 62 of the Internal Revenue Code;

(ii) the medical expense deduction;

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

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

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

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

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

(6) the amount of addition required by section 290.01, subdivision 19a, clause (7);

less the sum of the amounts determined under the following:

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

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

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

(4) amounts subtracted from federal taxable income as provided by section 290.01, subdivision 19b, clauses (10) ~~and (11)~~ to (14).

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 6.4 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.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2003.

Sec. 10. Minnesota Statutes 2002, section 290.091, subdivision 3, is amended to read:

Subd. 3. [EXEMPTION AMOUNT.] (a) For purposes of computing the alternative minimum tax, the exemption amount is:

(1) for taxable years beginning before January 1, 2004, the exemption determined under section 55(d) of the Internal Revenue Code, as amended through December 31, 1992;

(2) for taxable years beginning after December 31, 2003, and before January 1, 2005, \$41,000 for married couples filing joint returns; \$20,500 for married individuals filing separate returns, estates, and trusts; and \$30,750 for unmarried individuals;

(3) for taxable years beginning after December 31, 2004, and before January 1, 2006, \$42,000 for married couples filing joint returns; \$21,000 for married individuals filing separate returns, estates, and trusts; and \$31,500 for unmarried individuals;

(4) for taxable years beginning after December 31, 2005, \$44,000 for married couples filing joint returns; \$22,000 for married individuals filing separate returns, estates, and trusts; and \$33,000 for unmarried individuals.

(b) The exemption amount determined under this subdivision is subject to the phase out under section 55(d)(3) of the Internal Revenue Code, 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).~~

(c) For taxable years beginning after December 31, 2006, the exemption amount under paragraph (a), clause (4), must be adjusted for inflation. The commissioner shall make the inflation adjustments in accordance with section 1(f) of the Internal Revenue Code except that for the purposes of this subdivision the percentage increase must be determined from the year starting September 1, 2005, and ending August 31, 2006, as the base year for adjusting for inflation for the tax year beginning after December 31, 2006. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2003.

Sec. 11. Minnesota Statutes 2002, section 290.17, is amended by adding a subdivision to read:

Subd. 8. [FOREIGN OPERATING CORPORATIONS; COMMISSIONER'S AUTHORITY.] (a) This subdivision applies to a unitary business that includes a foreign operating corporation.

(b) The commissioner may disqualify a corporation as a foreign operating corporation, if the commissioner finds that:

(1) there was no substantial independent business purpose, other than the reduction of tax, for establishment of the foreign operating corporation;

(2) the income of the foreign operating corporation, on a multiyear basis, is primarily derived from or fairly attributable to domestic operations or sources of the unitary business; or

(3) a significant amount of inter-company transactions involving the foreign operating corporation lack economic substance or do not reflect market prices.

Disqualification of a foreign operating corporation under this paragraph applies for the taxable year and two subsequent taxable years.

(c) The commissioner may disallow all or part of the subtraction for royalties, fees, and like income under section 290.01, subdivision 19d, clause (10), or all or part of the deduction for deemed dividends of the foreign operating corporation under section 290.21, if the commissioner finds that the income or transactions on which the deductions are based:

(1) lack economic substance or fail to reflect market prices; or

(2) have no substantial independent business purpose other than the reduction of tax.

(d) The amount of any tax imposed as a result of a commissioner finding under this subdivision is increased by a surtax of 15 percent.

[EFFECTIVE DATE.] This section is effective January 1, 2005, for all taxable years.

Sec. 12. Minnesota Statutes 2002, 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 290.36, 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) 75 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) 12.5 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) 12.5 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.

For tax years beginning after December 31, 2004, but before January 1, 2006, the apportionment percentage in clause (1) shall be 78 percent and the apportionment percentages in clauses (2) and (3) shall be 11 percent.

For tax years beginning after December 31, 2005, but before January 1, 2007, the apportionment percentage in clause (1) shall be 81 percent and the apportionment percentages in clauses (2) and (3) shall be 9.5 percent.

For tax years beginning after December 31, 2006, but before January 1, 2008, the apportionment percentage in clause (1) shall be 84 percent and the apportionment percentages in clauses (2) and (3) shall be 8 percent.

For tax years beginning after December 31, 2007, but before January 1, 2009, the apportionment percentage in clause (1) shall be 87 percent and the apportionment percentages in clauses (2) and (3) shall be 6.5 percent.

For tax years beginning after December 31, 2008, but before January 1, 2010, the apportionment percentage in clause (1) shall be 90 percent and the apportionment percentages in clauses (2) and (3) shall be 5 percent.

For tax years beginning after December 31, 2009, but before January 1, 2011, the apportionment percentage in clause (1) shall be 93 percent and the apportionment percentages in clauses (2) and (3) shall be 3.5 percent.

For tax years beginning after December 31, 2010, but before January 1, 2012, the apportionment percentage in clause (1) shall be 96 percent and the apportionment percentages in clauses (2) and (3) shall be 2 percent.

For tax years beginning after December 31, 2011, the apportionment percentage in clause (1) shall be 100 percent and the apportionment percentages in clauses (2) and (3) shall be zero percent.

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

Sec. 13. Minnesota Statutes 2002, 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) 75 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) 12.5 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) 12.5 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.

For tax years beginning after December 31, 2004, but before January 1, 2006, the apportionment percentage in clause (1) shall be 78 percent and the apportionment percentages in clauses (2) and (3) shall be 11 percent.

For tax years beginning after December 31, 2005, but before January 1, 2007, the apportionment percentage in clause (1) shall be 81 percent and the apportionment percentages in clauses (2) and (3) shall be 9.5 percent.

For tax years beginning after December 31, 2006, but before January 1, 2008, the apportionment percentage in clause (1) shall be 84 percent and the apportionment percentages in clauses (2) and (3) shall be 8 percent.

For tax years beginning after December 31, 2007, but before January 1, 2009, the apportionment percentage in clause (1) shall be 87 percent and the apportionment percentages in clauses (2) and (3) shall be 6.5 percent.

For tax years beginning after December 31, 2008, but before January 1, 2010, the apportionment percentage in clause (1) shall be 90 percent and the apportionment percentages in clauses (2) and (3) shall be 5 percent.

For tax years beginning after December 31, 2009, but before January 1, 2011, the apportionment percentage in clause (1) shall be 93 percent and the apportionment percentages in clauses (2) and (3) shall be 3.5 percent.

For tax years beginning after December 31, 2010, but before January 1, 2012, the apportionment percentage in clause (1) shall be 96 percent and the apportionment percentages in clauses (2) and (3) shall be 2 percent.

For tax years beginning after December 31, 2011, the apportionment percentage in clause (1) shall be 100 percent and the apportionment percentages in clauses (2) and (3) shall be zero percent.

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

Sec. 14. Minnesota Statutes 2002, section 290.191, subdivision 5, is amended to read:

Subd. 5. [DETERMINATION OF SALES FACTOR.] For purposes of this section, the following rules apply in determining the sales factor.

(a) The sales factor includes all sales, gross earnings, or receipts received in the ordinary course of the business, except that the following types of income are not included in the sales factor:

(1) interest;

(2) dividends;

(3) sales of capital assets as defined in section 1221 of the Internal Revenue Code;

(4) sales of property used in the trade or business, except sales of leased property of a type which is regularly sold as well as leased;

(5) sales of debt instruments as defined in section 1275(a)(1) of the Internal Revenue Code or sales of stock; ~~and~~

(6) royalties, fees, or other like income of a type which qualify for a subtraction from federal taxable income under section 290.01, subdivision 19(d)(11); ~~and~~

(7) lease or other payments received for tax-exempt property, as defined in and subject to section 290.0711.

(b) Sales of tangible personal property are made within this state if the property is received by a purchaser at a point within this state, and the taxpayer is taxable in this state, regardless of the f.o.b. point, other conditions of the sale, or the ultimate destination of the property.

(c) Tangible personal property delivered to a common or contract carrier or foreign vessel for delivery to a purchaser in another state or nation is a sale in that state or nation, regardless of f.o.b. point or other conditions of the sale.

(d) Notwithstanding paragraphs (b) and (c), when intoxicating liquor, wine, fermented malt beverages, cigarettes, or tobacco products are sold to a purchaser who is licensed by a state or political subdivision to resell this property only within the state of ultimate destination, the sale is made in that state.

(e) Sales made by or through a corporation that is qualified as a domestic international sales corporation under section 992 of the Internal Revenue Code are not considered to have been made within this state.

(f) Sales, rents, royalties, and other income in connection with real property is attributed to the state in which the property is located.

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

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

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

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

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

(h) Royalties and other income not described in paragraph (a), clause (6), received for the use of or for the privilege of using intangible property, including patents, know-how, formulas, designs, processes, patterns, copyrights, trade names, service names, franchises, licenses, contracts, customer lists, or similar items, must be attributed to the state in which the property is used by the purchaser. If the property is used in more than one state, the royalties or other income must be apportioned to this state pro rata according to the portion of use in this state. If the portion of use in this state cannot be determined, the royalties or other income must be excluded from both the numerator and the denominator. Intangible property is used in this state if the purchaser uses the intangible property or the rights therein in the regular course of its business operations in this state, regardless of the location of the purchaser's customers.

(i) Sales of intangible property are made within the state in which the property is used by the purchaser. If the property is used in more than one state, the sales must be apportioned to this state pro rata according to the portion of use in this state. If the portion of use in this state cannot be determined, the sale must be excluded from both the numerator and the denominator of the sales factor. Intangible property is used in this state if the purchaser used the intangible property in the regular course of its business operations in this state.

(j) Receipts from the performance of services must be attributed to the state where the services are received. For the purposes of this section, receipts from the performance of services provided to a corporation, partnership, or trust may only be attributed to a state where it has a fixed place of doing business. If the state where the services are received is not readily determinable or is a state where the corporation, partnership, or trust receiving the service

does not have a fixed place of doing business, the services shall be deemed to be received at the location of the office of the customer from which the services were ordered in the regular course of the customer's trade or business. If the ordering office cannot be determined, the services shall be deemed to be received at the office of the customer to which the services are billed.

[EFFECTIVE DATE.] This section is effective for leases and service contracts or similar arrangements entered into after February 5, 2004, and for taxable years beginning after December 31, 2003.

Sec. 15. Minnesota Statutes 2002, section 290.191, subdivision 6, is amended to read:

Subd. 6. [DETERMINATION OF RECEIPTS FACTOR FOR FINANCIAL INSTITUTIONS.] (a) For purposes of this section, the rules in this subdivision and subdivision 8 apply in determining the receipts factor for financial institutions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(p) Receipts from leases, service contracts, or other arrangements for tax-exempt property, as defined in and subject to section 290.0711, are excluded from the receipts factor.

[EFFECTIVE DATE.] This section is effective for leases and service contracts or similar arrangements entered into after February 5, 2004, and for taxable years beginning after December 31, 2003.

Sec. 16. Minnesota Statutes 2002, section 290.191, subdivision 10, is amended to read:

Subd. 10. [PROPERTY FACTOR; TANGIBLE PROPERTY.] (a) Tangible property includes land, buildings, machinery and equipment, inventories, and other tangible personal property actually used by the taxpayer during the taxable year in carrying on the business activities of the taxpayer. Tangible property which is separately allocated under section 290.17 is not includable in the property factor.

(b) Cash on hand or in banks, shares of stock, notes, bonds, accounts receivable, or other evidences of indebtedness, special privileges, franchises, and goodwill, are specifically excluded from the property factor, except as otherwise provided for financial institutions in subdivision 11.

(c) The value of tangible property that is owned by the taxpayer and that is to be used in the apportionment fraction is the original cost adjusted for any later capital additions or improvements and partial disposition by reason of sale, exchange, or abandonment.

(d) For purposes of computing the property factor, United States government property that is used by the taxpayer must be considered owned by the taxpayer.

(e) Property that is rented by the taxpayer is valued at eight times the net annual rental. Net annual rental is the annual rental paid by the taxpayer less any annual rental received by the taxpayer from subrentals. If the subrents taken into account in determining the net annual rental produce a negative or clearly inaccurate value for any item of property, another method that will properly reflect the value of rented property may be required by the commissioner or requested by the taxpayer. In no case, however, shall the value be less than an amount which bears the same ratio to the annual rental paid by the taxpayer for such property as the fair market value of that portion of the property used by the taxpayer bears to the total fair market value of the rented property. Rents paid during the year cannot be averaged.

(f) A person filing a combined report shall use this method of calculating the property factor for all members of the group.

(g) Tax-exempt property, as defined in and subject to section 290.0711, is excluded from the property factor.

[EFFECTIVE DATE.] This section is effective for leases and service contracts or similar arrangements entered into after February 5, 2004, and for taxable years beginning after December 31, 2003.

Sec. 17. Minnesota Statutes 2002, section 290.191, subdivision 11, is amended to read:

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

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

- (c) Goodwill must not be included in the property factor.
- (d) Coin and currency located in this state must be attributed to this state.
- (e) Lease financing receivables must be attributed to this state if and to the extent that the property is located within this state.
- (f) Assets in the nature of loans that are secured by real or tangible personal property must be attributed to this state if and to the extent that the security property is located within this state.
- (g) Assets in the nature of consumer loans and installment obligations that are unsecured or secured by intangible property must be attributed to this state if the loan was made to a resident of this state.
- (h) Assets in the nature of commercial loan and installment obligations that are unsecured by real or tangible personal property or secured by intangible property must be attributed to this state if the proceeds of the loan are to be applied in this state. If it cannot be determined where the funds are to be applied, the assets must be attributed to the state in which there is located the office of the borrower from which the application would be made in the regular course of business. If this cannot be determined, the transaction is disregarded in the apportionment formula.
- (i) A participating financial institution's portion of participation and syndication loans must be attributed under paragraphs (e) to (h).
- (j) Financial institution credit card and travel and entertainment credit card receivables must be attributed to the state to which the credit card charges and fees are regularly billed.
- (k) Receivables arising from merchant discount income derived from financial institution credit card holder transactions with a merchant are attributed to the state in which the merchant is located. In the case of merchants located within and without the state, only receivables from merchant discounts attributable to sales made from locations within the state are attributed to this state. It is presumed, subject to rebuttal, that the location of a merchant is the address shown on the invoice submitted by the merchant to the taxpayer.
- (l) Assets in the nature of securities and money market instruments are apportioned to this state based upon the ratio that total deposits from this state, its residents, its political subdivisions, agencies and instrumentalities bear to the total deposits from all states, their residents, their political subdivisions, agencies and instrumentalities. In the case of an unregulated financial institution, the assets are apportioned to this state based upon the ratio that its gross business income earned from sources within this state bears to gross business income earned from sources within all states. For purposes of this paragraph, deposits made by this state, its residents, its political subdivisions, agencies, and instrumentalities are attributed to this state, whether or not the deposits are accepted or maintained by the taxpayer at locations within this state.
- (m) A financial institution's interest in any property described in section 290.015, subdivision 3, paragraph (b), is included in the property factor in the same manner as assets in the nature of securities or money market instruments are included under paragraph (1).
- (n) Tax-exempt property, as defined in and subject to section 290.0711, is excluded from the property factor.

[EFFECTIVE DATE.] This section is effective for leases and service contracts or similar arrangements entered into after February 5, 2004, and for taxable years beginning after December 31, 2003.

Sec. 18. Minnesota Statutes 2002, section 290.92, subdivision 4b, is amended to read:

Subd. 4b. [WITHHOLDING BY PARTNERSHIPS.] (a) A partnership shall deduct and withhold a tax as provided in paragraph (b) for nonresident individual partners based on their distributive shares of partnership income for a taxable year of the partnership.

(b) The amount of tax withheld is determined by multiplying the partner's distributive share allocable to Minnesota under section 290.17, paid or credited during the taxable year by the highest rate used to determine the income tax liability for an individual under section 290.06, subdivision 2c, except that the amount of tax withheld may be determined by the commissioner if the partner submits a withholding exemption certificate under subdivision 5.

(c) The commissioner may reduce or abate the tax withheld under this subdivision if the partnership had reasonable cause to believe that no tax was due under this section.

(d) Notwithstanding paragraph (a), a partnership is not required to deduct and withhold tax for a nonresident partner if:

(1) the partner elects to have the tax due paid as part of the partnership's composite return under section 289A.08, subdivision 7;

(2) the partner has Minnesota assignable federal adjusted gross income from the partnership of less than \$1,000; or

(3) the partnership is liquidated or terminated, the income was generated by a transaction related to the termination or liquidation, and no cash or other property was distributed in the current or prior taxable year; ~~or~~

(4) the distributive shares of partnership income are attributable to:

(i) income required to be recognized because of discharge of indebtedness;

(ii) income recognized because of a sale, exchange, or other disposition of real estate, depreciable property, or property described in section 179 of the Internal Revenue Code; or

(iii) income recognized on the sale, exchange, or other disposition of any property that has been the subject of a basis reduction pursuant to section 108, 734, 743, 754, or 1017 of the Internal Revenue Code

to the extent that the income does not include cash received or receivable or, if there is cash received or receivable, to the extent that the cash is required to be used to pay indebtedness by the partnership or a secured debt on partnership property; or

(5) the partnership is a publicly traded partnership, as defined in section 7704(b) of the Internal Revenue Code.

(e) For purposes of subdivision 6a, and sections 289A.09, subdivision 2, 289A.20, subdivision 2, paragraph (c), 289A.50, 289A.56, 289A.60, and 289A.63, a partnership is considered an employer.

(f) To the extent that income is exempt from withholding under paragraph (d), clause (4), the commissioner has a lien in an amount up to the amount that would be required to be withheld with respect to the income of the partner attributable to the partnership interest, but for the application of paragraph (d), clause (4). The lien arises under section 270.69 from the date of assessment of the tax against the partner, and attaches to that partner's share of the profits and any other money due or to become due to that partner in respect of the partnership. Notice of the lien

may be sent by mail to the partnership, without the necessity for recording the lien. The notice has the force and effect of a levy under section 270.70, and is enforceable against the partnership in the manner provided by that section. Upon payment in full of the liability subsequent to the notice of lien, the partnership must be notified that the lien has been satisfied.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2003.

Sec. 19. Minnesota Statutes 2002, section 298.01, subdivision 3, is amended to read:

Subd. 3. [OCCUPATION TAX; OTHER ORES.] Every person engaged in the business of mining or producing ores in this state, except iron ore or taconite concentrates, shall pay an occupation tax to the state of Minnesota as provided in this subdivision. The tax is determined in the same manner as the tax imposed by section 290.02, except that sections 290.05, subdivision 1, clause (a), ~~and~~ 290.17, subdivision 4, ~~and~~ 290.191, subdivision 2, do not apply. A person subject to occupation tax under this section shall apportion its net income on the basis of the percentage obtained by taking the sum of:

(1) 75 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) 12.5 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) 12.5 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.

The tax is in addition to all other taxes.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2004.

Sec. 20. Minnesota Statutes 2002, section 298.01, subdivision 4, is amended to read:

Subd. 4. [OCCUPATION TAX; IRON ORE; TACONITE CONCENTRATES.] A person engaged in the business of mining or producing iron ore, taconite concentrates or direct reduced ore in this state shall pay an occupation tax to the state of Minnesota. The tax is determined in the same manner as the tax imposed by section 290.02, except that sections 290.05, subdivision 1, clause (a), ~~and~~ 290.17, subdivision 4, ~~and~~ 290.191, subdivision 2, do not apply. A person subject to occupation tax under this section shall apportion its net income on the basis of the percentage obtained by taking the sum of:

(1) 75 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) 12.5 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) 12.5 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.

The tax is in addition to all other taxes.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2004.

Sec. 21. [REFUND PAYMENTS AUTHORIZED.]

The commissioner of revenue may allow a taxpayer to claim a refund of Minnesota individual income tax paid on a distribution from a qualified governmental pension plan, an individual retirement account, a simplified employee pension, or a qualified plan covering a self-employed person in a taxable year beginning after December 31, 2001, and before January 1, 2004, if the individual was unable to claim the subtraction under Minnesota Statutes 1999 Supplement, section 290.01, subdivision 19b, clause (4), for taxable year 2000 or 2001 because the individual was not a resident and had no Minnesota taxable income. The amount of the refund equals the lesser of (1) the tax on the distribution or (2) the marginal tax rate for the taxpayer's tax year in which the distribution was received multiplied by the subtraction under clause (4) that would have been allowed if the taxpayer were a resident in tax year 2001. The commissioner may process refunds under this section separately from administration of the individual income tax in the most efficient and lowest cost manner.

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

ARTICLE 2

FEDERAL UPDATE

Section 1. Minnesota Statutes 2003 Supplement, section 289A.02, subdivision 7, is amended to read:

Subd. 7. [INTERNAL REVENUE CODE.] Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~June 15, 2003~~ April 10, 2004.

[EFFECTIVE DATE.] This section is effective for actions required on or after November 11, 2003.

Sec. 2. Minnesota Statutes 2003 Supplement, section 290.01, subdivision 19, is amended to read:

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

In the case of a regulated investment company or a fund thereof, as defined in section 851(a) or 851(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 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 104-188, the provisions of Public Law 104-117, 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 105-34, the provisions of section 6010 of the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law 105-206, the provisions of section 4003 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Public Law 105-277, and the provisions of section 318 of the Consolidated Appropriation Act of 2001, Public Law 106-554, 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 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 105-206, the provisions of section 3001 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Public Law 105-277, the provisions of section 3001 of the Miscellaneous Trade and Technical Corrections Act of 1999, Public Law 106-36, ~~and~~ the provisions of section 316 of the Consolidated Appropriation Act of 2001, Public Law 106-554, and the provision of section 101 of the Military Family Tax Relief Act of 2003, Public Law 108-121, 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 105-206, the provisions of section 9010 of the Transportation Equity Act for the 21st Century, Public Law 105-178, the provisions of sections 1004, 4002, and 5301 of the Omnibus Consolidation and Emergency Supplemental Appropriations Act, 1999, Public Law 105-277, the provision of section 303 of the Ricky Ray Hemophilia Relief Fund Act of 1998, Public Law 105-369, the provisions of sections 532, 534, 536, 537, and 538 of the Ticket to Work and Work Incentives Improvement Act of 1999, Public Law 106-170, the provisions of the Installment Tax Correction Act of 2000, Public Law 106-573, and the provisions of section 309 of the Consolidated Appropriation Act of 2001, Public Law 106-554, 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.

The provisions of the FSC Repeal and Extraterritorial Income Exclusion Act of 2000, Public Law 106-519, and the provision of section 412 of the Job Creation and Worker Assistance Act of 2002, Public Law 107-147, shall become effective at the time it became effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1999, shall be in effect for taxable years beginning after December 31, 1999. The provisions of sections 306 and 401 of the Consolidated Appropriation Act of 2001, Public Law 106-554, and the provision of section 632(b)(2)(A) of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16, and provisions of sections 101 and 402 of the Job Creation and Worker Assistance Act of 2002, Public Law 107-147, shall become effective at the same time it became effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 2000, shall be in effect for taxable years beginning after December 31, 2000. The provisions of sections 659a and 671 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16, the provisions of sections 104, 105, and 111 of the Victims of Terrorism Tax Relief Act of 2001, Public Law 107-134, ~~and~~ the provisions of sections 201, 403, 413, and 606 of the Job Creation and Worker Assistance Act of 2002, Public Law 107-147, and the provision of section 102 of the Military Family Tax Relief Act of 2003, Public Law 108-121, shall become effective at the same time it became effective for federal purposes.

The Internal Revenue Code of 1986, as amended through March 15, 2002, shall be in effect for taxable years beginning after December 31, 2001.

The provisions of sections 101 and 102 of the Victims of Terrorism Tax Relief Act of 2001, Public Law 107-134, shall become effective at the same time it becomes effective for federal purposes.

The Internal Revenue Code of 1986, as amended through June 15, 2003, shall be in effect for taxable years beginning after December 31, 2002. The provisions of section 201 of the Jobs and Growth Tax Relief and Reconciliation Act of 2003, ~~H.R. 2, if it is enacted into law~~ Public Law 108-27, and the provisions of sections 103, 106, 108, 109, and 110 of the Military Family Tax Relief Act of 2003, Public Law 108-121, are effective at the same time it became effective for federal purposes.

The Internal Revenue Code of 1986, as amended through April 10, 2004, shall be in effect for taxable years beginning after December 31, 2003.

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.

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

Sec. 3. Minnesota Statutes 2003 Supplement, section 290.01, subdivision 19a, is amended to read:

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

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

(ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, except the portion of the exempt-interest dividends derived from interest income on obligations of the state of Minnesota or its political or governmental subdivisions, municipalities, governmental agencies or instrumentalities, but only if the portion of the

exempt-interest dividends from such Minnesota sources paid to all shareholders represents 95 percent or more of the exempt-interest dividends that are paid by the regulated investment company as defined in section 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as defined in section 851(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 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 expense, interest, or taxes disallowed pursuant to section 290.10;

(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; ~~and~~

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

(8) the exclusion allowed under section 139A of the Internal Revenue Code for federal subsidies for prescription drug plans.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2003.

Sec. 4. Minnesota Statutes 2003 Supplement, section 290.01, subdivision 19b, is amended to read:

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

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

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

(3) the amount paid to others, less the amount used to claim the credit allowed under section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and transportation of each qualifying child in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause, "textbooks" includes books and other instructional materials and equipment purchased or leased for use in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. Equipment expenses qualifying for deduction includes expenses as defined and limited in section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or transportation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs. 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) income as provided under section 290.0802;

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

(6) to the extent included in federal taxable income, postservice benefits for youth community service under section 124D.42 for volunteer service under United States Code, title 42, sections 12601 to 12604;

(7) 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;

(8) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code;

(9) for individuals who are allowed a federal foreign tax credit for taxes that do not qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover of subnational foreign taxes for the taxable year, but not to exceed the total subnational foreign taxes reported in claiming the foreign tax credit. For purposes of this clause, "federal foreign tax credit" means the credit allowed under section 27 of the Internal Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed under section 904(c) of the Internal Revenue Code minus national level foreign taxes to the extent they exceed the federal foreign tax credit;

(10) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (7), an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19a, clause (7), minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. The resulting delayed depreciation cannot be less than zero; ~~and~~

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

(12) to the extent included in federal taxable income, compensation paid to a service member as defined in United States Code, title 10, section 101(a)(5), for military service as defined in the Service Members Civil Relief Act, Public Law 108-189, section 101(2), performed by a nonresident. This subtraction does not apply to "retirement income" as defined in section 290.17, subdivision 2, paragraph (a), clause (3).

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2002.

Sec. 5. Minnesota Statutes 2003 Supplement, section 290.01, subdivision 19c, is amended to read:

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

(1) the amount of any deduction taken for federal income tax purposes for income, excise, or franchise taxes based on net income or related minimum taxes, including but not limited to the tax imposed under section 290.0922, paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or any foreign country or possession of the United States;

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

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

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

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

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

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

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

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

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

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

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

(13) 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;

(14) the amount of net income excluded under section 114 of the Internal Revenue Code;

(15) any increase in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of section 614 of Public Law 107-147; ~~and~~

(16) 80 percent of the depreciation deduction allowed under section 168(k) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k) is allowed; and

(17) the exclusion allowed under section 139A of the Internal Revenue Code for federal subsidies for prescription drug plans.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2003.

Sec. 6. Minnesota Statutes 2003 Supplement, section 290.01, subdivision 31, is amended to read:

Subd. 31. [INTERNAL REVENUE CODE.] Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~June 15, 2003~~ April 10, 2004.

[EFFECTIVE DATE.] This section is effective the day following final enactment except the changes incorporated by federal changes are effective at the same times as the changes were effective for federal purposes.

Sec. 7. Minnesota Statutes 2003 Supplement, section 290.091, subdivision 2, is amended to read:

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

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

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

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

(i) the charitable contribution deduction under section 170 of the Internal Revenue Code to the extent that the deduction exceeds 1.0 percent of adjusted gross income, as defined in section 62 of the Internal Revenue Code;

- (ii) the medical expense deduction;
- (iii) the casualty, theft, and disaster loss deduction; and
- (iv) the impairment-related work expenses of a disabled person;

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

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

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

(6) the amount of addition required by section 290.01, subdivision 19a, clause (7); and

(7) the amount of addition required by section 290.01, subdivision 19a, clause (8);

less the sum of the amounts determined under the following:

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

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

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

(4) amounts subtracted from federal taxable income as provided by section 290.01, subdivision 19b, clauses (10) ~~and (11) to (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 6.4 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.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2003.

Sec. 8. Minnesota Statutes 2003 Supplement, section 290.0921, subdivision 3, is amended to read:

Subd. 3. [ALTERNATIVE MINIMUM TAXABLE INCOME.] "Alternative minimum taxable income" is Minnesota net income as defined in section 290.01, subdivision 19, and includes the adjustments and tax preference items in sections 56, 57, 58, and 59(d), (e), (f), and (h) of the Internal Revenue Code. If a corporation files a separate company Minnesota tax return, the minimum tax must be computed on a separate company basis. If a corporation is part of a tax group filing a unitary return, the minimum tax must be computed on a unitary basis. The following adjustments must be made.

(1) For purposes of the depreciation adjustments under section 56(a)(1) and 56(g)(4)(A) of the Internal Revenue Code, the basis for depreciable property placed in service in a taxable year beginning before January 1, 1990, is the adjusted basis for federal income tax purposes, including any modification made in a taxable year under section 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c).

For taxable years beginning after December 31, 2000, the amount of any remaining modification made under section 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c), not previously deducted is a depreciation allowance in the first taxable year after December 31, 2000.

(2) The portion of the depreciation deduction allowed for federal income tax purposes under section 168(k) of the Internal Revenue Code that is required as an addition under section 290.01, subdivision 19c, clause (16), is disallowed in determining alternative minimum taxable income.

(3) The subtraction for depreciation allowed under section 290.01, subdivision 19d, clause (19), is allowed as a depreciation deduction in determining alternative minimum taxable income.

(4) The alternative tax net operating loss deduction under sections 56(a)(4) and 56(d) of the Internal Revenue Code does not apply.

(5) The special rule for certain dividends under section 56(g)(4)(C)(ii) of the Internal Revenue Code does not apply.

(6) The special rule for dividends from section 936 companies under section 56(g)(4)(C)(iii) does not apply.

(7) The tax preference for depletion under section 57(a)(1) of the Internal Revenue Code does not apply.

(8) The tax preference for intangible drilling costs under section 57(a)(2) of the Internal Revenue Code must be calculated without regard to subparagraph (E) and the subtraction under section 290.01, subdivision 19d, clause (4).

(9) The tax preference for tax exempt interest under section 57(a)(5) of the Internal Revenue Code does not apply.

(10) The tax preference for charitable contributions of appreciated property under section 57(a)(6) of the Internal Revenue Code does not apply.

(11) For purposes of calculating the tax preference for accelerated depreciation or amortization on certain property placed in service before January 1, 1987, under section 57(a)(7) of the Internal Revenue Code, the deduction allowable for the taxable year is the deduction allowed under section 290.01, subdivision 19e.

For taxable years beginning after December 31, 2000, the amount of any remaining modification made under section 290.01, subdivision 19e, not previously deducted is a depreciation or amortization allowance in the first taxable year after December 31, 2004.

(12) For purposes of calculating the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable income" as it is used in section 56(g) of the Internal Revenue Code, means alternative minimum taxable income as defined in this subdivision, determined without regard to the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

(13) For purposes of determining the amount of adjusted current earnings under section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign dividend gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1), (ii) the amount of refunds of income, excise, or franchise taxes subtracted as provided in section 290.01, subdivision 19d, clause (10), or (iii) the amount of royalties, fees or other like income subtracted as provided in section 290.01, subdivision 19d, clause (11).

(14) Alternative minimum taxable income excludes the income from operating in a job opportunity building zone as provided under section 469.317.

(15) Alternative minimum taxable income excludes the income from operating in a biotechnology and health sciences industry zone as provided under section 469.337.

(16) The addition required under section 290.01, subdivision 19c, clause (17), is included in determining alternative minimum taxable income.

Items of tax preference must not be reduced below zero as a result of the modifications in this subdivision.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2003.

Sec. 9. Minnesota Statutes 2003 Supplement, section 290A.03, subdivision 15, is amended to read:

Subd. 15. [INTERNAL REVENUE CODE.] "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~June 15, 2003~~ April 10, 2004.

[EFFECTIVE DATE.] This section is effective the day following final enactment except the changes to household income generated by federal changes to federal adjusted gross income are effective at the same time federal changes are effective.

Sec. 10. Minnesota Statutes 2003 Supplement, section 291.005, subdivision 1, is amended to read:

Subdivision 1. Unless the context otherwise clearly requires, the following terms used in this chapter shall have the following meanings:

(1) "Federal gross estate" means the gross estate of a decedent as valued and otherwise determined for federal estate tax purposes by federal taxing authorities pursuant to the provisions of the Internal Revenue Code.

(2) "Minnesota gross estate" means the federal gross estate of a decedent after (a) excluding therefrom any property included therein which has its situs outside Minnesota, and (b) including therein any property omitted from the federal gross estate which is includable therein, has its situs in Minnesota, and was not disclosed to federal taxing authorities.

(3) "Personal representative" means the executor, administrator or other person appointed by the court to administer and dispose of the property of the decedent. If there is no executor, administrator or other person appointed, qualified, and acting within this state, then any person in actual or constructive possession of any property having a situs in this state which is included in the federal gross estate of the decedent shall be deemed to be a personal representative to the extent of the property and the Minnesota estate tax due with respect to the property.

(4) "Resident decedent" means an individual whose domicile at the time of death was in Minnesota.

(5) "Nonresident decedent" means an individual whose domicile at the time of death was not in Minnesota.

(6) "Situs of property" means, with respect to real property, the state or country in which it is located; with respect to tangible personal property, the state or country in which it was normally kept or located at the time of the decedent's death; and with respect to intangible personal property, the state or country in which the decedent was domiciled at death.

(7) "Commissioner" means the commissioner of revenue or any person to whom the commissioner has delegated functions under this chapter.

(8) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through December 31, ~~2002~~ 2003.

[EFFECTIVE DATE.] This section is effective for estates of decedents dying after January 31, 2003.

ARTICLE 3

PROPERTY TAXES

Section 1. Minnesota Statutes 2002, section 97A.061, subdivision 1, is amended to read:

Subdivision 1. [APPLICABILITY; AMOUNT.] (a) The commissioner shall annually make a payment to each county having public hunting areas and game refuges. Money to make the payments is annually appropriated for that purpose from the general fund. Except as provided in paragraph (b), this section does not apply to state trust fund land and other state land not purchased for game refuge or public hunting purposes. Except as provided in paragraph (b), the payment shall be the greatest of:

(1) 35 percent of the gross receipts from all special use permits and leases of land acquired for public hunting and game refuges;

(2) 50 cents per acre on land purchased actually used for public hunting or game refuges; or

(3) three-fourths of one percent of the appraised value of purchased land actually used for public hunting and game refuges.

(b) The payment shall be 50 percent of the dollar amount adjusted for inflation as determined under section 477A.12, subdivision 1, paragraph (a), clause (1), multiplied by the number of acres of land in the county that are owned by another state agency for military purposes and designated as a game refuge under section 97A.085.

(c) The payment must be reduced by the amount paid under subdivision 3 for croplands managed for wild geese.

(~~e~~) (d) The appraised value is the purchase price for five years after acquisition. The appraised value shall be determined by the county assessor every five years after acquisition.

[EFFECTIVE DATE.] This section is effective for aids paid in calendar year 2005 and thereafter.

Sec. 2. Minnesota Statutes 2002, section 144F.01, subdivision 10, is amended to read:

Subd. 10. [REPORTS.] On or before March 15, ~~2005~~ 2006, and March 15, ~~2007~~ 2008, the special taxing district shall submit a levy and expenditure report to the commissioner of revenue and to the chairs of the house and senate committees with jurisdiction over taxes. Each report must include the amount of the district's levies for taxes payable for each of the two previous years and its actual expenditures of those revenues. Expenditures must be reported by general service category, as listed in subdivision 5, and include a separate category for administrative expenses.

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

Sec. 3. Minnesota Statutes 2002, section 272.02, subdivision 22, is amended to read:

Subd. 22. [WIND ENERGY CONVERSION SYSTEMS.] All real and personal property of a wind energy conversion system as defined in section 272.029, subdivision 2, is exempt from property tax except that the land on which the property is located remains taxable. The value of the land on which the wind energy conversion system is located shall not be increased or decreased, but shall be valued in the same manner as similar land that has not been improved with a wind energy conversion system. The land shall be classified based on the most probable use of the property if it were not improved with a wind energy conversion system.

[EFFECTIVE DATE.] This section is effective for assessment year 2004 and thereafter, for taxes payable in 2005 and thereafter.

Sec. 4. Minnesota Statutes 2003 Supplement, section 272.02, subdivision 47, is amended to read:

Subd. 47. [POULTRY LITTER BIOMASS GENERATION FACILITY; PERSONAL PROPERTY.] Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of an electrical generating facility that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

(1) be designed to utilize poultry litter as a primary fuel source; and

(2) be constructed for the purpose of generating power at the facility that will be sold pursuant to a contract approved by the Public Utilities Commission in accordance with the biomass mandate imposed under section 216B.2424.

Construction of the facility must be commenced after January 1, 2003, and before December 31, ~~2003~~ 2004. 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.

[EFFECTIVE DATE.] This section is effective for assessment year 2004, taxes payable in 2005, and thereafter.

Sec. 5. Minnesota Statutes 2003 Supplement, section 272.02, subdivision 56, is amended to read:

Subd. 56. [ELECTRIC GENERATION FACILITY; PERSONAL PROPERTY.] (a) Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a combined-cycle combustion-turbine electric generation facility that exceeds ~~550~~ 300 megawatts of installed capacity and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

(1) be designed to utilize natural gas as a primary fuel;

(2) not be owned by a public utility as defined in section 216B.02, subdivision 4;

(3) be located within five miles of an existing natural gas pipeline and within four miles of an existing electrical transmission substation;

(4) be located outside the metropolitan area as defined under section 473.121, subdivision 2; and

(5) be designed to provide energy and ancillary services and have received a certificate of need under section 216B.243.

(b) Construction of the facility must be commenced after January 1, 2004, and before January 1, 2007, except that property eligible for this exemption includes any expansion of the facility that also meets the requirements of paragraph (a), clauses (1) to (5), without regard to the date that construction of the expansion commences. 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.

[EFFECTIVE DATE.] This section is effective for assessment year 2005, taxes payable in 2006, and thereafter.

Sec. 6. Minnesota Statutes 2002, section 272.02, is amended by adding a subdivision to read:

Subd. 68. [ELECTRIC GENERATION FACILITY; PERSONAL PROPERTY.] Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a simple-cycle, combustion-turbine electric generation facility that exceeds 300 megawatts of installed capacity and that meets the requirements of this subdivision is exempt. At the time of the construction, the facility must:

(1) be designed to utilize natural gas as a primary fuel;

(2) be owned by a public utility as defined in section 216B.02, subdivision 4, and be located at or interconnected with an existing generating plant of the utility;

(3) be designed to provide peaking, emergency backup, or contingency services;

(4) satisfy a resource need identified in an approved integrated resource plan filed under section 216B.2422; and

(5) have received, by resolution, the approval from the governing body of the county and the city for the exemption of personal property under this subdivision.

Construction of the facility must be commenced after January 1, 2004, and before January 1, 2006. 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.

[EFFECTIVE DATE.] This section is effective for assessment year 2005, taxes payable in 2006, and thereafter.

Sec. 7. Minnesota Statutes 2002, section 272.02, is amended by adding a subdivision to read:

Subd. 69. [ELECTRIC GENERATION FACILITY; PERSONAL PROPERTY.] (a) Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a simple-cycle combustion-turbine electric generation facility that exceeds 290 megawatts of installed capacity and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

(1) be designed to utilize natural gas as a primary fuel;

(2) not be owned by a public utility as defined in section 216B.02, subdivision 4;

(3) be located within five miles of an existing natural gas pipeline and within five miles of an existing electrical transmission substation;

(4) be located outside the metropolitan area as defined under section 473.121, subdivision 2;

(5) be designed to provide peaking capacity energy and ancillary services and have satisfied all of the requirements under section 216B.243; and

(6) have received, by resolution, the approval from the governing body of the county, city, and school district in which the proposed facility is to be located for the exemption of personal property under this subdivision.

(b) Construction of the facility must be commenced after January 1, 2005, and before January 1, 2009. 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.

[EFFECTIVE DATE.] This section is effective for assessment year 2006, taxes payable in 2007, and thereafter.

Sec. 8. Minnesota Statutes 2002, section 272.02, is amended by adding a subdivision to read:

Subd. 70. [ELECTRIC GENERATION FACILITY PERSONAL PROPERTY.] (a) Notwithstanding subdivision 9, clause (a), and section 453.54, subdivision 20, attached machinery and other personal property which is part of an electric generation facility that exceeds 150 megawatts of installed capacity and meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

(1) be designed to utilize natural gas as a primary fuel;

(2) be owned and operated by a municipal power agency as defined in section 453.52, subdivision 8;

(3) have received the certificate of need under section 216B.243;

(4) be located outside the metropolitan area as defined under section 473.121, subdivision 2; and

(5) be designed to be a combined-cycle facility, although initially the facility will be operated as a simple-cycle combustion turbine.

(b) To qualify under this subdivision, an agreement must be negotiated between the municipal power agency and the host city, for a payment in lieu of property taxes to the host city.

(c) Construction of the facility must be commenced after January 1, 2004, and before January 1, 2006. 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.

[EFFECTIVE DATE.] This section is effective for assessment year 2005, taxes payable in 2006, and thereafter.

Sec. 9. Minnesota Statutes 2002, section 272.02, is amended by adding a subdivision to read:

Subd. 71. [BIOMASS ELECTRIC GENERATION FACILITY; PERSONAL PROPERTY.] (a) Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is a part of an electric generation facility generating up to 30 megawatts of installed capacity and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

(1) be designed to utilize a minimum 90 percent waste biomass as a fuel;

(2) not be owned by a public utility as defined in section 216B.02, subdivision 4;

(3) be located within a city of the first class and have its primary location at a former garbage transfer station; and

(4) be designed to have capability to provide baseload energy and district heating.

(b) Construction of the facility must be commenced after January 1, 2004, and before January 1, 2008. 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.

[EFFECTIVE DATE.] This section is effective for assessment year 2005, taxes payable in 2006, and thereafter.

Sec. 10. Minnesota Statutes 2002, section 272.02, is amended by adding a subdivision to read:

Subd. 72. [ELECTRIC GENERATION FACILITY; PERSONAL PROPERTY.] (a) Notwithstanding subdivision 9, clause (a), attached machinery and other personal property that is part of either a simple-cycle, combustion-turbine electric generation facility that equals or exceeds 150 megawatts of installed capacity, or a combined-cycle, combustion-turbine electric generation facility that equals or exceeds 225 megawatts of installed capacity, and that in either case meets the requirements of this subdivision, is exempt. At the time of construction, the facility must:

(1) be designed to utilize natural gas as a primary fuel;

(2) not be owned by a public utility as defined in section 216B.02, subdivision 4;

(3) be located in a metropolitan county defined in section 473.121, subdivision 4, that has a population greater than 190,000 and less than 225,000 in the most recent federal decennial census, within one mile of an existing natural gas pipeline, and within one mile of an existing electrical transmission substation; and

(4) be designed to provide energy and ancillary services and have received a certificate of need under section 216B.243.

(b) Construction of the facility must be commenced after January 1, 2005, and before January 1, 2008. 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.

[EFFECTIVE DATE.] This section is effective for assessment year 2005, taxes payable in 2006, and thereafter.

Sec. 11. Minnesota Statutes 2002, section 272.0212, subdivision 1, is amended to read:

Subdivision 1. [EXEMPTION.] All qualified property in a zone is exempt to the extent and for a period up to the duration provided by the zone designation and under sections 469.1731 to 469.1735.

[EFFECTIVE DATE.] This section is effective for development agreements approved after the day following final enactment and beginning for property taxes payable in 2005.

Sec. 12. Minnesota Statutes 2002, section 272.0212, subdivision 2, is amended to read:

Subd. 2. [LIMITS ON EXEMPTION.] (a) Property in a zone is not exempt under this section from the following:

(1) special assessments;

(2) ad valorem property taxes specifically levied for the payment of principal and interest on debt obligations; and

(3) all taxes levied by a school district, except equalized school levies as defined in section 273.1398, subdivision 1, paragraph (e).

(b) The city may limit the property tax exemption to a shorter period than the duration of the zone or to a percentage of the property taxes payable or both.

[EFFECTIVE DATE.] This section is effective for development agreements approved after the day following final enactment and beginning for property taxes payable in 2005.

Sec. 13. [272.0275] [PERSONAL PROPERTY USED TO GENERATE ELECTRICITY; EXEMPTION.]

Subdivision 1. [NEW PLANT CONSTRUCTION AFTER JANUARY 1, 2004.] For a new generating plant built and placed in service after January 1, 2004, its personal property used to generate electric power is exempt from property taxation, including under section 453.54, subdivision 20, if an exemption of generation personal property form, with an attached siting agreement, is filed with the Department of Revenue. The form must be signed by the utility, and the county and city or town where the facility is proposed to be located.

Subd. 2. [EXISTING PLANT; INCREASE IN NAMEPLATE CAPACITY.] For a plant existing or under construction on the day of final enactment of this act, a partial exemption applies if the nameplate capacity of the plant is increased from that existing on the day of final enactment of this act, and if an exemption of generation personal property form, with an attached siting agreement is filed with the Department of Revenue. The form must be signed by the utility, and the county and city or town where the facility expansion is located. This partial exemption must be computed by taking the increase in megawatts over the total megawatt nameplate capacity after construction is complete, multiplied by the market value of all taxable tools, implements, and machinery of the generating plant as determined by the commissioner of revenue. The resulting exemption is effective beginning in the next assessment year.

Subd. 3. [DEFINITION; APPLICABILITY.] For purposes of this section, "personal property" means tools, implements, and machinery of the generating plant. The exemption under this section does not apply to transformers, transmission lines, distribution lines, or any other tools, implements, and machinery that are part of an electric substation, wherever located.

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

Sec. 14. Minnesota Statutes 2002, section 272.029, subdivision 4, is amended to read:

Subd. 4. [REPORTS.] (a) An owner of a wind energy conversion system subject to tax under subdivision 3 shall file a report with the commissioner of revenue annually on or before ~~March 1~~ February 1 detailing the amount of electricity in kilowatt-hours that was produced by the wind energy conversion system for the previous calendar year. The commissioner shall prescribe the form of the report. The report must contain the information required by the

commissioner to determine the tax due to each county under this section for the current year. If an owner of a wind energy conversion system subject to taxation under this section fails to file the report by the due date, the commissioner of revenue shall determine the tax based upon the nameplate capacity of the system multiplied by a capacity factor of 40 percent.

(b) On or before ~~March 31~~ February 28, the commissioner of revenue shall notify the owner of the wind energy conversion systems of the tax due to each county for the current year and shall certify to the county auditor of each county in which the systems are located the tax due from each owner for the current year.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2005 and thereafter.

Sec. 15. Minnesota Statutes 2002, section 272.029, subdivision 6, is amended to read:

Subd. 6. [DISTRIBUTION OF REVENUES.] Revenues from the taxes imposed under subdivision 5 must be part of the settlement between the county treasurer and the county auditor under section 276.09. The revenue must be distributed by the county auditor or the county treasurer to all local taxing jurisdictions in which the wind energy conversion system is located, in the same proportion that each of the taxing jurisdiction's ~~current~~ previous year's net tax capacity based tax rate is to the ~~current~~ previous year's total local net tax capacity based rate.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2004 and thereafter.

Sec. 16. Minnesota Statutes 2003 Supplement, 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, timber, ~~or~~ noncommercial seasonal residential recreational, or class 1c resort property, the assessor shall compare the value with the taxable portion of the value determined in the preceding assessment, except that for class 1c resort property for assessment year 2004, the assessor shall determine the limited market value as provided in subdivision 1b.

For assessment year 2002, the amount of the increase shall not exceed the greater of (1) ten percent of the value in the preceding assessment, or (2) 15 percent of the difference between the current assessment and the preceding assessment.

For assessment year 2003, the amount of the increase shall not exceed the greater of (1) 12 percent of the value in the preceding assessment, or (2) 20 percent of the difference between the current assessment and the preceding assessment.

For assessment year 2004, the amount of the increase shall not exceed the greater of (1) 15 percent of the value in the preceding assessment, or (2) 25 percent of the difference between the current assessment and the preceding assessment.

For assessment year 2005, the amount of the increase shall not exceed the greater of (1) 15 percent of the value in the preceding assessment, or (2) 33 percent of the difference between the current assessment and the preceding assessment.

For assessment year 2006, the amount of the increase shall not exceed the greater of (1) 15 percent of the value in the preceding assessment, or (2) 50 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 through assessment year 2006 as provided in this subdivision.

For purposes of this subdivision and subdivision 1b, "class 1c resort property" includes the portion of the property classified class 1a or 1b homestead, the portion of the property classified 1c, plus any remaining portion of the resort that is classified 4c under section 273.13, subdivision 25, paragraph (d), clause (1).

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.

[EFFECTIVE DATE.] This section is effective for assessment year 2004 through 2006, for taxes payable in 2005 through 2007.

Sec. 17. Minnesota Statutes 2002, section 273.11, is amended by adding a subdivision to read:

Subd. 1b. [CLASS 1C RESORTS; 2004 ASSESSMENT ONLY.] For assessment year 2004, the valuation increase on class 1c resort property shall not exceed the greater of (1) 15 percent of the value of its 2002 assessment, or (2) 25 percent of the difference in value between its 2004 assessment and its 2002 assessment. The valuation increase on class 1c resort property for the 2005 and 2006 assessment years shall be determined based upon the schedule contained in subdivision 1a.

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

Sec. 18. Minnesota Statutes 2002, section 273.111, subdivision 6, is amended to read:

Subd. 6. [AGRICULTURAL USE.] Real property qualifying under subdivision 3 shall be considered to be in agricultural use provided that annually:

(1) at least 33-1/3 percent of the total family income of the owner is derived therefrom, or the total production income including rental from the property is ~~\$300~~ \$500 plus ~~\$10~~ \$50 per tillable acre; and

(2) it is devoted to the production for sale of agricultural products as defined in section 273.13, subdivision 23, paragraph (e).

Slough, wasteland, and woodland contiguous to or surrounded by land that is entitled to valuation and tax deferral under this section is considered to be in agricultural use if under the same ownership and management.

[EFFECTIVE DATE.] This section is effective for assessment year 2005, taxes payable in 2006, and thereafter.

Sec. 19. Minnesota Statutes 2002, section 273.124, is amended by adding a subdivision to read:

Subd. 22. [RESIDENTIAL PROPERTY ALSO USED TO PROVIDE DAY CARE.] Residential and agricultural property that is also used to provide day care must be classified without regard to its use in providing the day care, provided that the operator of the day care service is occupying the property as the operator's permanent residence. For purposes of this subdivision, "day care" means family day care or adult family day care licensed under section 245A.03, or provided without license under section 245A.03, subdivision 2, paragraph (a), clause (2).

[EFFECTIVE DATE.] This section is effective for assessment year 2004 and thereafter, for taxes payable in 2005 and thereafter.

Sec. 20. [273.1321] [VACANT COMMERCIAL INDUSTRIAL PROPERTIES.]

Subdivision 1. [AUTHORITY.] A city may establish, by ordinance, a program to encourage redevelopment, provide for better utilization of commercial industrial property, and eliminate blighting influences by revoking the eligibility of individual commercial industrial properties to receive the credit authorized under section 273.1398, subdivision 4. The program may revoke eligibility only if the property has been vacant, as defined in subdivision 3, clauses (1) to (3), for three or more consecutive years prior to the current assessment year, or under subdivision 3, clause (4), for five or more consecutive years prior to the current assessment year.

Subd. 2. [MINIMUM REQUIREMENTS.] The program must provide:

- (1) standards for determining whether a property is vacant;
- (2) written assessment notice by the city or county to the property owner informing the owner that the property's eligibility will be revoked;
- (3) opportunity for the property owner to appeal the revocation at the board of equalization;
- (4) timely notice to the county assessor of the property's eligibility revocation, if the city has a city assessor and the city assessor has revoked the property's eligibility; and
- (5) any other provisions the city determines are necessary or appropriate to the operation of the program to achieve its purposes.

Subd. 3. [DEFINITION OF VACANT.] A program established under this section may provide that a property is vacant if the property is:

- (1) condemned, dangerous, or having multiple building code violations;
- (2) condemned and illegally occupied;
- (3) either occupied or unoccupied, during which time the enforcement officer for the municipality has issued multiple orders to correct nuisance conditions; or
- (4) unoccupied and not utilized for a commercial or industrial purpose.

Subd. 4. [NOTICE TO PROPERTY OWNER.] The municipality shall give notice to the property owner requiring that any conditions in subdivision 3, clauses (1) to (3) be remedied, and that the property be occupied and used for a commercial or industrial purpose for at least 180 days during the next 12-month period, or else the property may cease to be eligible for the credit under section 273.1398, subdivision 4.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2006 and thereafter.

Sec. 21. Minnesota Statutes 2002, section 273.1384, subdivision 1, is amended to read:

Subdivision 1. [RESIDENTIAL HOMESTEAD MARKET VALUE CREDIT.] Each county auditor shall determine a homestead credit for each class 1a, 1b, 1c, and 2a homestead property within the county equal to 0.4 percent of the market value of the property. The amount of homestead credit for a homestead may not exceed \$304 and is reduced by .09 percent of the market value in excess of \$76,000. In the case of an agricultural or resort homestead, only the market value of the house, garage, and immediately surrounding one acre of land is eligible in determining the property's homestead credit. In the case of a property ~~which~~ that is classified as ~~part~~ a partial

~~homestead and part nonhomestead, the credit shall apply only to the homestead portion of the property, because the property is not occupied by all owners or both spouses, the credit is determined based on the homestead portion only, except that the credit must not exceed the credit that would be calculated if the entire residential portion of the property was classified as homestead.~~

[EFFECTIVE DATE.] This section is effective for taxes payable in 2005 and thereafter.

Sec. 22. Minnesota Statutes 2003 Supplement, section 274.014, subdivision 3, is amended to read:

Subd. 3. **[PROOF OF COMPLIANCE; TRANSFER OF DUTIES.]** (a) Any city or town that ~~does not~~ conducts local boards of appeal and equalization meetings must provide proof to the county assessor by December 1, ~~2006~~ 2005, and each year thereafter, that it is in compliance with the requirements of subdivision 2, ~~and that it had, Beginning in 2006, this notice must also verify that there was a quorum of voting members at each meeting of the board of appeal and equalization in the prior current year.~~ A city or town that does not comply with these requirements is deemed to have transferred its board of appeal and equalization powers to the county under section 274.01, subdivision 3, for beginning with the following year's assessment and continuing unless the powers are reinstated under paragraph (c).

(b) The county shall notify the taxpayers when the board of appeal and equalization for a city or town has been transferred to the county under this subdivision and, prior to the meeting time of the county board of equalization, the county shall make available to those taxpayers a procedure for a review of the assessments, including, but not limited to, open book meetings. This alternate review process shall take place in April and May.

(c) A local board whose powers are transferred to the county under this subdivision may be reinstated by resolution of the governing body of the city or town and upon proof of compliance with the requirements of subdivision 2. The resolution and proofs must be provided to the county assessor by December 1 in order to be effective for the following year's assessment.

Sec. 23. Minnesota Statutes 2003 Supplement, section 275.065, subdivision 3, is amended to read:

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

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

(c) The notice must inform taxpayers that it contains the amount of property taxes each taxing authority proposes to collect for taxes payable the following year. In the case of a town, or in the case of the state general tax, the final tax amount will be its proposed tax. In the case of taxing authorities required to hold a public meeting under subdivision 6, the notice must clearly state that each taxing authority, including regional library districts established under section 134.201, and including the metropolitan taxing districts as defined in paragraph (i), but excluding all other special taxing districts and towns, will hold a public meeting to receive public testimony on the proposed budget and proposed or final property tax levy, or, in case of a school district, on the current budget and proposed property tax levy. It must clearly state the time and place of each taxing authority's meeting, a telephone number for the taxing authority that taxpayers may call if they have questions related to the notice, and an address where comments will be received by mail.

(d) The notice must state for each parcel:

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

(2) the items listed below, shown separately by county, city or town, and state general tax, net of the residential and agricultural homestead credit under section 273.1384, voter approved school levy, other local school levy, and the sum of the special taxing districts, and as a total of all taxing authorities:

- (i) the actual tax for taxes payable in the current year; and
- (ii) the proposed tax amount.

If the county levy under clause (2) includes an amount for a lake improvement district as defined under sections 103B.501 to 103B.581, the amount attributable for that purpose must be separately stated from the remaining county levy amount.

In the case of a town or the state general tax, the final tax shall also be its proposed tax unless the town changes its levy at a special town meeting under section 365.52. If a school district has certified under section 126C.17, subdivision 9, that a referendum will be held in the school district at the November general election, the county auditor must note next to the school district's proposed amount that a referendum is pending and that, if approved by the voters, the tax amount may be higher than shown on the notice. In the case of the city of Minneapolis, the levy for 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 the city of St. Paul, the levy for the St. Paul Library Agency must be listed separately from the remaining amount of the city's levy. In the case of Ramsey County, any amount levied under section 134.07 may be listed separately from the remaining amount of the county's levy. In the case of a parcel where tax increment or the fiscal disparities areawide tax under chapter 276A or 473F applies, the proposed tax levy on the captured value or the proposed tax levy on the tax capacity subject to the areawide tax must each be stated separately and not included in the sum of the special taxing districts; and

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

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

- (e) The notice must clearly state that the proposed or final taxes do not include the following:
 - (1) special assessments;
 - (2) levies approved by the voters after the date the proposed taxes are certified, including bond referenda and school district levy referenda;
 - (3) a levy limit increase approved by the voters by the first Tuesday after the first Monday in November of the levy year as provided under section 275.73;
 - (4) amounts necessary to pay cleanup or other costs due to a natural disaster occurring after the date the proposed taxes are certified;
 - (5) amounts necessary to pay tort judgments against the taxing authority that become final after the date the proposed taxes are certified; and
 - (6) the contamination tax imposed on properties which received market value reductions for contamination.

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

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

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

- (1) mail or deliver a copy of the notice of proposed property taxes to each tenant, renter, or lessee; or
- (2) post a copy of the notice in a conspicuous place on the premises of the property.

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

(i) For purposes of this subdivision, 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.

[EFFECTIVE DATE.] This section is effective for notices for property taxes levied in 2004, payable in 2005, and thereafter.

Sec. 24. Minnesota Statutes 2002, section 276.04, subdivision 2, is amended to read:

Subd. 2. [CONTENTS OF TAX STATEMENTS.] (a) The treasurer shall provide for the printing of the tax statements. The commissioner of revenue shall prescribe the form of the property tax statement and its contents. The statement must contain a tabulated statement of the dollar amount due to each taxing authority and the amount of the state tax from the parcel of real property for which a particular tax statement is prepared. The dollar amounts attributable to the county, the state tax, the voter approved school tax, the other local school tax, the township or municipality, and the total of the metropolitan special taxing districts as defined in section 275.065, subdivision 3, paragraph (i), must be separately stated. The amounts due all other special taxing districts, if any, may be aggregated. If the county levy under this paragraph includes an amount for a lake improvement district as defined under sections 103B.501 to 103B.581, the amount attributable for that purpose must be separately stated from the remaining county levy amount. In the case of Ramsey County, if the county levy under this paragraph includes an

amount for public library service under section 134.07, the amount attributable for that purpose may be separately stated from the remaining county levy amount. The amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount. The amount of the tax on contamination value imposed under sections 270.91 to 270.98, if any, must also be separately stated. The dollar amounts, including the dollar amount of any special assessments, may be rounded to the nearest even whole dollar. For purposes of this section whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar. The amount of market value excluded under section 273.11, subdivision 16, if any, must also be listed on the tax statement.

(b) The property tax statements for manufactured homes and sectional structures taxed as personal property shall contain the same information that is required on the tax statements for real property.

(c) Real and personal property tax statements must contain the following information in the order given in this paragraph. The information must contain the current year tax information in the right column with the corresponding information for the previous year in a column on the left:

- (1) the property's estimated market value under section 273.11, subdivision 1;
- (2) the property's taxable market value after reductions under section 273.11, subdivisions 1a and 16;
- (3) the property's gross tax, calculated by adding the property's total property tax to the sum of the aids enumerated in clause (4);
- (4) a total of the following aids:
 - (i) education aids payable under chapters 122A, 123A, 123B, 124D, 125A, 126C, and 127A;
 - (ii) local government aids for cities, towns, and counties under chapter 477A;
 - (iii) disparity reduction aid under section 273.1398; and
 - (iv) homestead and agricultural credit aid under section 273.1398;
- (5) for homestead residential and agricultural properties, the credits under section 273.1384;
- (6) any credits received under sections 273.119; 273.123; 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit received under section 273.135 must be separately stated and identified as "taconite tax relief"; and
- (7) the net tax payable in the manner required in paragraph (a).

(d) If the county uses envelopes for mailing property tax statements and if the county agrees, a taxing district may include a notice with the property tax statement notifying taxpayers when the taxing district will begin its budget deliberations for the current year, and encouraging taxpayers to attend the hearings. If the county allows notices to be included in the envelope containing the property tax statement, and if more than one taxing district relative to a given property decides to include a notice with the tax statement, the county treasurer or auditor must coordinate the process and may combine the information on a single announcement.

The commissioner of revenue shall certify to the county auditor the actual or estimated aids enumerated in clause (4) that local governments will receive in the following year. The commissioner must certify this amount by January 1 of each year.

[EFFECTIVE DATE.] This section is effective for property tax statements for taxes payable in 2005 and thereafter.

Sec. 25. Minnesota Statutes 2002, section 290A.03, subdivision 13, is amended to read:

Subd. 13. [PROPERTY TAXES PAYABLE.] (a) "Initial property taxes payable" means (i) the property tax exclusive of payable on a claimant's homestead plus (ii) any fees or charges for police or fire services included in the total amount on the property tax statement, excluding charges related to capital expenditures and nuisance charges under section 429.101.

(b) "Property taxes payable" means initial property taxes payable minus

(i) special assessments, other than fees or charges for police or fire services that are included in paragraph (a)(ii);

(ii) penalties, and;

(iii) interest payable on a claimant's homestead after;

(iv) deductions made under sections 273.135, 273.1384, 273.1391, 273.42, subdivision 2, and any other state paid property tax credits in any calendar year; and after

(v) any refund claimed and allowable under section 290A.04, subdivision 2h, that is first payable in the year that the property tax is payable.

(c) In the case of a claimant who makes ground lease payments, "property taxes payable" includes the amount of the payments directly attributable to the property taxes assessed against the parcel on which the house is located. No apportionment or reduction of the "property taxes payable" shall be required for the use of a portion of the claimant's homestead for a business purpose if the claimant does not deduct any business depreciation expenses for the use of a portion of the homestead in the determination of federal adjusted gross income. For homesteads which are manufactured homes as defined in section 273.125, subdivision 8, and for homesteads which are park trailers taxed as manufactured homes under section 168.012, subdivision 9, "property taxes payable" shall also include 19 percent of the gross rent paid in the preceding year for the site on which the homestead is located. When a homestead is owned by two or more persons as joint tenants or tenants in common, such tenants shall determine between them which tenant may claim the property taxes payable on the homestead. If they are unable to agree, the matter shall be referred to the commissioner of revenue whose decision shall be final. Property taxes are considered payable in the year prescribed by law for payment of the taxes.

(d) In the case of a claim relating to "property taxes payable," the claimant must have owned and occupied the homestead on January 2 of the year in which the tax is payable and (i) the property must have been classified as homestead property pursuant to section 273.124, on or before December 15 of the assessment year to which the "property taxes payable" relate; or (ii) the claimant must provide documentation from the local assessor that application for homestead classification has been made on or before December 15 of the year in which the "property taxes payable" were payable and that the assessor has approved the application.

[EFFECTIVE DATE.] This section is effective for refunds based on property taxes payable in 2005 and following years.

Sec. 26. Minnesota Statutes 2002, section 290A.07, is amended by adding a subdivision to read:

Subd. 5. [EARLY PAYMENT; E-FILE CLAIMS.] The commissioner may pay a claim up to 30 days earlier than the first permitted date under subdivision 2a or 3 if the claim was submitted by electronic means.

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

Sec. 27. Minnesota Statutes 2002, section 365.43, subdivision 1, is amended to read:

Subdivision 1. [~~LEVIED AMOUNT IS SPENDING LIMIT TOTAL REVENUE DEFINED.~~] A town must not ~~contract debts or~~ spend more money in a year than ~~the taxes levied for the year~~ its total revenue without a favorable vote of a majority of the town's electors. In this section, "total revenue" means property taxes payable in that year as well as amounts received from all other sources and amounts carried forward from the last year.

Sec. 28. Minnesota Statutes 2002, section 365.431, is amended to read:

365.431 [AMOUNT VOTED AT MEETING IS TAX LIMIT.]

Except as otherwise authorized by law, the tax for town purposes must not be more than the amount voted to be raised at the annual town meeting.

Sec. 29. Minnesota Statutes 2002, section 477A.11, subdivision 4, is amended to read:

Subd. 4. [OTHER NATURAL RESOURCES LAND.] "Other natural resources land" means:

(~~4~~) any other land presently owned in fee title by the state and administered by the commissioner, or any tax-forfeited land, other than platted lots within a city or those lands described under subdivision 3, clause (2), which is owned by the state and administered by the commissioner or by the county in which it is located; ~~and~~

~~(2) land leased by the state from the United States of America through the United States Secretary of Agriculture pursuant to Title III of the Bankhead Jones Farm Tenant Act, which land is commonly referred to as land utilization project land that is administered by the commissioner.~~

[EFFECTIVE DATE.] This section is effective for aids paid in calendar year 2005 and thereafter.

Sec. 30. Minnesota Statutes 2002, section 477A.11, is amended by adding a subdivision to read:

Subd. 5. [LAND UTILIZATION PROJECT LAND.] "Land utilization project land" means land that is leased by the state from the United States through the United States Secretary of Agriculture according to Title III of the Bankhead Jones Farm Tenant Act and that is administered by the commissioner.

[EFFECTIVE DATE.] This section is effective for aids paid in calendar year 2005 and thereafter.

Sec. 31. Minnesota Statutes 2002, section 477A.12, subdivision 1, is amended to read:

Subdivision 1. [TYPES OF LAND; PAYMENTS.] (a) As an offset for expenses incurred by counties and towns in support of natural resources lands, the following amounts are annually appropriated to the commissioner of natural resources from the general fund for transfer to the commissioner of revenue. The commissioner of revenue shall pay the transferred funds to counties as required by sections 477A.11 to 477A.145. The amounts are:

(1) for acquired natural resources land, \$3, as adjusted for inflation under section 477A.145, multiplied by the total number of acres of acquired natural resources land or, at the county's option three-fourths of one percent of the appraised value of all acquired natural resources land in the county, whichever is greater;

(2) 75 cents, as adjusted for inflation under section 477A.145, multiplied by the number of acres of county-administered other natural resources land; and

(3) 75 cents, as adjusted for inflation under section 477A.145, multiplied by the total number of acres of land utilization project land;

~~(3)~~ (4) 37.5 cents, as adjusted for inflation under section 477A.145, multiplied by the number of acres of commissioner-administered other natural resources land located in each county as of July 1 of each year prior to the payment year.

(b) The amount determined under paragraph (a), clause (1), is payable for land that is acquired from a private owner and owned by the Department of Transportation for the purpose of replacing wetland losses caused by transportation projects, but only if the county contains more than 500 acres of such land at the time the certification is made under subdivision 2.

[EFFECTIVE DATE.] This section is effective for aids paid in calendar year 2005 and thereafter.

Sec. 32. Minnesota Statutes 2002, section 477A.12, subdivision 2, is amended to read:

Subd. 2. [PROCEDURE.] Lands for which payments in lieu are made pursuant to section 97A.061, subdivision 3, and Laws 1973, chapter 567, shall not be eligible for payments under this section. Each county auditor shall certify to the Department of Natural Resources during July of each year prior to the payment year the number of acres of county-administered other natural resources land within the county. The Department of Natural Resources may, in addition to the certification of acreage, require descriptive lists of land so certified. The commissioner of natural resources shall determine and certify to the commissioner of revenue by March 1 of the payment year:

(1) the number of acres and most recent appraised value of acquired natural resources land within each county;

(2) the number of acres of commissioner-administered natural resources land within each county; ~~and~~

(3) the number of acres of county-administered other natural resources land within each county, based on the reports filed by each county auditor with the commissioner of natural resources; and

(4) the number of acres of land utilization project land within each county.

The commissioner of transportation shall determine and certify to the commissioner of revenue by March 1 of the payment year the number of acres of land and the appraised value of the land described in subdivision 1, paragraph (b), but only if it exceeds 500 acres.

The commissioner of revenue shall determine the distributions provided for in this section using the number of acres and appraised values certified by the commissioner of natural resources and the commissioner of transportation by March 1 of the payment year.

[EFFECTIVE DATE.] This section is effective for aids paid in calendar year 2005 and thereafter.

Sec. 33. Minnesota Statutes 2002, section 477A.14, subdivision 1, is amended to read:

Subdivision 1. [GENERAL DISTRIBUTION.] Except as provided in subdivision 2 or in section 97A.061, subdivision 5, 40 percent of the total payment to the county shall be deposited in the county general revenue fund to be used to provide property tax levy reduction. The remainder shall be distributed by the county in the following priority:

(a) 37.5 cents, as adjusted for inflation under section 477A.145, for each acre of county-administered other natural resources land shall be deposited in a resource development fund to be created within the county treasury for use in resource development, forest management, game and fish habitat improvement, and recreational development and maintenance of county-administered other natural resources land. Any county receiving less than \$5,000 annually for the resource development fund may elect to deposit that amount in the county general revenue fund;

(b) From the funds remaining, within 30 days of receipt of the payment to the county, the county treasurer shall pay each organized township 30 cents, as adjusted for inflation under section 477A.145, for each acre of acquired natural resources land and each acre of land described in section 477A.12, subdivision 1, paragraph (b), and 7.5 cents, as adjusted for inflation under section 477A.145, for each acre of other natural resources land and each acre of land utilization project land located within its boundaries. Payments for natural resources lands not located in an organized township shall be deposited in the county general revenue fund. Payments to counties and townships pursuant to this paragraph shall be used to provide property tax levy reduction, except that of the payments for natural resources lands not located in an organized township, the county may allocate the amount determined to be necessary for maintenance of roads in unorganized townships. Provided that, if the total payment to the county pursuant to section 477A.12 is not sufficient to fully fund the distribution provided for in this clause, the amount available shall be distributed to each township and the county general revenue fund on a pro rata basis; and

(c) Any remaining funds shall be deposited in the county general revenue fund. Provided that, if the distribution to the county general revenue fund exceeds \$35,000, the excess shall be used to provide property tax levy reduction.

[EFFECTIVE DATE.] This section is effective for aids paid in calendar year 2005 and thereafter.

Sec. 34. Laws 1998, chapter 389, article 3, section 41, is amended to read:

Sec. 41. [SPECIAL ASSESSMENT DEFERRAL AUTHORIZED.]

Notwithstanding Minnesota Statutes, chapter 429, a city may defer the payment of any special assessment levied against a property qualifying under section 38 as determined by the city. Any special assessment, the payment of which has been deferred by the city, must be paid in full or a payment agreement may be approved by the city if the ownership of property is transferred to anyone or any entity. Payment or a payment agreement must be made within 60 days of the transfer of ownership.

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

Sec. 35. Laws 1998, chapter 389, article 3, section 42, subdivision 2, as amended by Laws 2002, chapter 377, article 4, section 24, is amended to read:

Subd. 2. [RECAPTURE.] (a) Property or any portion thereof qualifying under section 38 is subject to additional taxes if:

(1) ownership of the property is transferred to anyone other than the spouse or child of the current owner;

(2) the current owner or the spouse or child of the current owner has not conveyed or entered into a contract before July 1, 2007, to convey for ownership or public easement rights, (i) a portion of the property to a one or more nonprofit foundation foundations or corporation-operating corporations; and (ii) a portion of the property to one or more local governments; and those entities shall separately or jointly operate the property as an art park providing the services included in section 38, clauses (2) to (5), and may also use some of the property for other public purposes as determined by the local governments; or

(3) the nonprofit foundation or corporation to which a portion of the property was transferred ceases to provide the services included in section 38, clauses (2) to (5), earlier than ten years following the effective date of the conveyance conveyances or of the execution of the contract contracts to convey.

(b) The additional taxes are imposed at the earlier of (1) the year following transfer of ownership to anyone other than the spouse or child of the current owner or a nonprofit foundation or corporation or local government operating the property as an art park and used for other public purposes, or (2) for taxes payable in 2008, or (3) in the event the nonprofit foundation or corporation to which a portion of the property was conveyed ceases to provide the required services within ten years after the conveyance, for taxes payable in the year following the year when it ceased to do so.

The county board, with the approval of the city council, shall determine the amount of the additional taxes due on the portion of property which is no longer utilized as an art park; provided, however, that the additional taxes are equal to must not be greater than the difference between the taxes determined on that portion of the property utilized as an art park under sections 39 and 40 and the amount determined under subdivision 1 for all years that the property qualified under section 38. The additional taxes must be extended against the property on the tax list for the current year; provided, however, that No interest or penalties may be levied on the additional taxes if timely paid amount provided that it is paid within 30 days of the county's notice.

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

Sec. 36. [TOWNSHIP LEVY ADJUSTMENT FOR WIND ENERGY PRODUCTION TAX; PAYABLE 2004 ONLY.]

Notwithstanding the deadlines in Minnesota Statutes, section 275.07, towns located in Lincoln or Pipestone County are authorized to adjust their payable 2004 levy for all or a portion of their estimated wind energy production tax amounts for 2004, as computed by the commissioner of revenue from reports filed under Minnesota Statutes, section 272.029, subdivision 4. The Lincoln and Pipestone county auditors may adjust the payable 2004 levy certifications under Minnesota Statutes, section 275.07, subdivision 1, based upon the towns that have recertified their levies under this section by March 15, 2004.

[EFFECTIVE DATE.] This section is effective for taxes levied in 2003, payable in 2004 only.

Sec. 37. [SAUK RIVER WATERSHED DISTRICT.]

Notwithstanding Minnesota Statutes, section 103D.905, subdivision 3, the Sauk River Watershed District may annually levy an additional amount up to \$100,000 for its general fund.

[EFFECTIVE DATE.] This section is effective, without local approval, beginning with the taxes levied in 2004, payable in 2005.

Sec. 38. [PRINSBURG; SPECIAL LEVY AUTHORITY.]

Subdivision 1. [BOARD APPROVAL.] Notwithstanding any law to the contrary, the board of Common School District No. 815, Prinsburg, may continue to operate as a common school district provided that:

(1) the district adopts an annual resolution by May 1 of each year declaring that it will be operating for the following school year;

(2) for years subsequent to calendar year 2005, the district's proposed budget for the following year shows that the district will not return to statutory operating debt under Minnesota Statutes, section 123B.81; and

(3) the district has passed a referendum under subdivision 4 authorizing levy authority for the coming school year.

Subd. 2. [DETERMINATION OF OUTSTANDING OBLIGATIONS.] Prior to exercising the authority to levy under this section, the boards of Common School District No. 815 and Independent School District No. 2180, MACCRAY, must mutually agree to the amount of the outstanding tuition owed by the Prinsburg School District to the MACCRAY School District. If the districts cannot agree to the amount of the tuition owed, the districts may submit all relevant information to the commissioner of education who shall determine the amount of the obligation owed to the MACCRAY School District.

Subd. 3. [STATUTORY OPERATING DEBT.] For taxes payable in 2005, 2006, and 2007, Common School District No. 815, Prinsburg, may levy the amount necessary to eliminate a deficit in the net unappropriated balance in the operating funds of the district, determined as of June 30, 2004, and certified and adjusted by the commissioner. This levy may also include the amount necessary to eliminate the estimated deficit for fiscal year 2005.

Subd. 4. [ANNUAL LEVY AUTHORITY.] (a) Common School District No. 815, Prinsburg, may levy the amount necessary to eliminate any projected deficit in the district's operating budget for the preceding school year if the district's voters approve a referendum according to the provisions of this subdivision.

(b) The referendum shall be called by the school board. The ballot must state that the annual levy will be the estimated amount necessary to eliminate the previous year's estimated operating deficit. The ballot must designate the specific number of years, not to exceed five, for which the referendum authorization applies. The ballot shall state substantially the following:

"Shall the increase in the levy proposed by the Board of Prinsburg, Common School District No. 815, be approved?"

If approved, the amount necessary to eliminate the previous year's estimated operating deficit may be authorized for certification for the number of years approved.

(c) The board must follow the notice provisions of Minnesota Statutes, section 126C.17.

Subd. 5. [FISCAL YEAR 2005 ONLY.] Notwithstanding the provisions of this section, for fiscal year 2005 only, Common School District No. 815, Prinsburg, may continue to operate as a common school district upon approval of a referendum under subdivision 4.

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

Sec. 39. [STUDY OF PROPERTY TAX AS A PERCENTAGE OF RENT.]

(a) The commissioner of revenue shall study the percentage of rent that constitutes property tax used to calculate refunds under Minnesota Statutes, chapter 290A, and provide a written report and recommendations to the legislature, in compliance with Minnesota Statutes, sections 3.195 and 3.197, by February 1, 2005. In preparing the study, the commissioner must conduct a survey of rent paid and property taxes payable on samples of rental properties in (i) the metropolitan area as defined in Minnesota Statutes, section 473.121, subdivision 2, (ii) each remaining county that is included in a metropolitan statistical area as defined by the U.S. Census Bureau, and (iii) the remaining Minnesota counties. The survey must include rental properties classified under Minnesota Statutes, section 273.13, subdivisions 22 and 25, paragraphs (a) and (c), and rental property that is exempt from taxation.

(b) The study must report on:

(1) the percentage of rent constituting property tax for the different types of property and different geographic regions surveyed; and

(2) if rent paid in each geographic region surveyed differs significantly between rental units subject to different classifications and units in buildings exempt from taxation.

(c) The study must make recommendations on:

(1) if the percentage of rent constituting property taxes specified in Minnesota Statutes, section 290A.03, subdivisions 11 and 13, should be changed to more accurately reflect the actual percentage of rent constituting property taxes throughout Minnesota;

(2) if the percentage of rent constituting property taxes used to calculate refunds under Minnesota Statutes, chapter 290A, should be set at one uniform percentage for the entire state or should vary by geographic region and type of rental property, including an analysis of the advantages and disadvantages of using a uniform rate or varying the rate by region and type of property;

(3) if the percentage of rent constituting property tax should be replaced by reporting of actual property taxes on rental units;

(4) a method by which the commissioner could regularly recommend to the legislature adjustments to the percentage of rent constituting property taxes; and

(5) proposed statutory language authorizing the commissioner to adjust the percentage based on ongoing survey research.

ARTICLE 4

SALES AND USE AND LODGING TAXES

Section 1. Minnesota Statutes 2002, section 16C.03, is amended by adding a subdivision to read:

Subd. 18. [CONTRACTS WITH FOREIGN VENDORS.] (a) The commissioner and other agencies to which this section applies and the legislative branch of government shall not contract for goods or services from a vendor or an affiliate of the vendor which has not registered to collect the sales and use tax imposed under chapter 297A on its sales in Minnesota or to a destination in Minnesota. A vendor that sells tangible personal property or provides services subject to tax under chapter 297A to an agency or the legislature, and each affiliate of that vendor, is regarded as a "retailer maintaining a place of business in this state" and is required to collect the Minnesota sales or use tax under chapter 297A. This subdivision does not apply to state colleges and universities, the courts, and any agency in the judicial branch of government. For purposes of this subdivision, the term "affiliate" means any person or entity that is controlled by, or is under common control of, a vendor through stock ownership or other affiliation.

(b) Beginning on or after January 1, 2005, each vendor or affiliate of a vendor that is offered a contract to sell goods or services subject to tax under chapter 297A to an agency or the legislature must submit to the agency or legislature certification that the vendor is registered to collect Minnesota sales or use tax and acknowledging that the contract may be declared void if the certification is false.

(c) An agency or the legislature is exempted from the provisions of this subdivision in the event of an emergency or when the vendor is the sole source of such goods or services.

[EFFECTIVE DATE.] This section is effective for all contracts entered into after December 31, 2004.

Sec. 2. Minnesota Statutes 2002, section 297A.61, subdivision 4, is amended to read:

Subd. 4. [RETAIL SALE.] (a) A "retail sale" means any sale, lease, or rental for any purpose other than resale, sublease, or subrent.

(b) A sale of property used by the owner only by leasing it to others or by holding it in an effort to lease it, and put to no use by the owner other than resale after the lease or effort to lease, is a sale of property for resale.

(c) A sale of master computer software that is purchased and used to make copies for sale or lease is a sale of property for resale.

(d) A sale of building materials, supplies, and equipment to owners, contractors, subcontractors, or builders for the erection of buildings or the alteration, repair, or improvement of real property is a retail sale in whatever quantity sold, whether the sale is for purposes of resale in the form of real property or otherwise.

(e) A sale of carpeting, linoleum, or similar floor covering to a person who provides for installation of the floor covering is a retail sale and not a sale for resale since a sale of floor covering which includes installation is a contract for the improvement of real property.

(f) A sale of shrubbery, plants, sod, trees, and similar items to a person who provides for installation of the items is a retail sale and not a sale for resale since a sale of shrubbery, plants, sod, trees, and similar items that includes installation is a contract for the improvement of real property.

(g) A sale of tangible personal property that is awarded as prizes is a retail sale and is not considered a sale of property for resale.

(h) A sale of tangible personal property utilized or employed in the furnishing or providing of services under subdivision 3, paragraph (g), clause (1), including, but not limited to, property given as promotional items, is a retail sale and is not considered a sale of property for resale.

(i) A sale of tangible personal property used in conducting lawful gambling under chapter 349 or the state lottery under chapter 349A, including, but not limited to, property given as promotional items, is a retail sale and is not considered a sale of property for resale.

(j) A sale of machines, equipment, or devices that are used to furnish, provide, or dispense goods or services, including, but not limited to, coin-operated devices, is a retail sale and is not considered a sale of property for resale.

(k) In the case of a lease, a retail sale occurs when (1) an obligation to make a lease payment becomes due under the terms of the agreement or the trade practices of the lessor or (2) in the case of a lease of a motor vehicle, as defined in section 297B.01, subdivision 5, but excluding vehicles with a manufacturer's gross vehicle weight rating greater than 10,000 pounds and rentals of vehicles for not more than 28 days, at the time the least is consummated.

(l) In the case of a conditional sales contract, a retail sale occurs upon the transfer of title or possession of the tangible personal property.

[EFFECTIVE DATE.] This section is effective for leases entered into after June 30, 2004.

Sec. 3. Minnesota Statutes 2002, section 297A.61, is amended by adding a subdivision to read:

Subd. 7a. [MOTOR VEHICLE LEASE PRICE.] In the case of a lease of a motor vehicle as provided in subdivision 4, paragraph (k), clause (2), the tax is imposed on the total amount to be paid by the lessee under the lease agreement and shall be collected in full by the lessor at the time the lease is consummated. The total amount to

be paid by the lessee under the lease agreement equals the agreed upon value of the vehicle less manufacturer's rebates, the stated residual value of the leased vehicle, and the total value allowed for a vehicle owned by the lessee taken in trade by lessor, plus the price of any taxable goods and services included in the lease and the rent charge as provided by Code of Federal Regulations, title 12, section 213.4.

If the total amount paid by the lessee for use of the leased vehicle includes amounts that are not calculated at the time the lease is executed, the tax is imposed and shall be collected by the lessor at the time such amounts are paid by the lessee. In the case of a lease which by its terms may be renewed, the sales tax is due and payable on the total amount to be paid during the initial term of the lease, and then for each subsequent renewal period on the total amount to be paid during the renewal period.

If a lease is canceled or rescinded on or before 90 days of its consummation or in cases where a vehicle is returned to the manufacturer pursuant to section 325F.665, the lessor may file a claim for a refund of the total tax paid minus the amount of tax due for the period the vehicle is used by the lessee.

[EFFECTIVE DATE.] This section is effective for leases entered into after June 30, 2004.

Sec. 4. Minnesota Statutes 2002, section 297A.61, is amended by adding a subdivision to read:

Subd. 37. [PERSONAL RAPID TRANSIT SYSTEM.] "Personal rapid transit system" means a transportation system:

(1) of small, computer-controlled vehicles, transporting one to three passengers on elevated guideways in a transportation network operating on demand and nonstop directly to any stations in the network;

(2) that provides service to the public on a regular and continuing basis; and

(3) that is operated independent of any governmental subsidies, other than reduced borrowing or capital costs from the issuing of state or local bonds, direct loans, loan guarantees, or similar financial assistance provided by a governmental entity to finance acquisition, construction, or improvement of the system.

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

Sec. 5. Minnesota Statutes 2002, section 297A.62, is amended by adding a subdivision to read:

Subd. 4. [LEASE OF MOTOR VEHICLES.] When the lease of a motor vehicle as defined in section 297A.61, subdivision 4, paragraph (k), clause (2), originates in another state, the sales tax under subdivision 1 shall be calculated by the lessor on the total amount that is due under the lease agreement after the vehicle is required to be registered in Minnesota. If the total amount to be paid by the lessee under the lease agreement has already been subjected to tax by another state, a credit for taxes paid in the other state shall be allowed as provided in section 297A.80.

[EFFECTIVE DATE.] This section is effective for vehicles registering in Minnesota after June 30, 2004.

Sec. 6. Minnesota Statutes 2002, section 297A.67, is amended by adding a subdivision to read:

Subd. 32. [CIGARETTES.] Cigarettes upon which a tax has been imposed under section 297F.25 are exempt.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after July 31, 2004.

Sec. 7. Minnesota Statutes 2003 Supplement, section 297A.68, subdivision 2, is amended to read:

Subd. 2. [MATERIALS CONSUMED IN INDUSTRIAL PRODUCTION.] (a) Materials stored, used, or consumed in industrial production of personal property intended to be sold ultimately at retail are exempt, whether or not the item so used becomes an ingredient or constituent part of the property produced. Materials that qualify for this exemption include, but are not limited to, the following:

(1) chemicals, including chemicals used for cleaning food processing machinery and equipment;

(2) materials, including chemicals, fuels, and electricity purchased by persons engaged in industrial production to treat waste generated as a result of the production process;

(3) fuels, electricity, gas, and steam used or consumed in the production process, except that electricity, gas, or steam used for space heating, cooling, or lighting is exempt if (i) it is in excess of the average climate control or lighting for the production area, and (ii) it is necessary to produce that particular product;

(4) petroleum products and lubricants;

(5) packaging materials, including returnable containers used in packaging food and beverage products;

(6) accessory tools, equipment, and other items that are separate detachable units with an ordinary useful life of less than 12 months used in producing a direct effect upon the product; and

(7) the following materials, tools, and equipment used in metalcasting: crucibles, thermocouple protection sheaths and tubes, stalk tubes, refractory materials, molten metal filters and filter boxes, degassing lances, and base blocks.

(b) This exemption does not include:

(1) machinery, equipment, implements, tools, accessories, appliances, contrivances and furniture and fixtures, except those listed in paragraph (a), clause (6); and

(2) petroleum and special fuels used in producing or generating power for propelling ready-mixed concrete trucks on the public highways of this state.

(c) Industrial production includes, 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, the production of road building materials, and the research, development, design, or production of computer software. Industrial production does not include painting, cleaning, repairing or similar processing of property except as part of the original manufacturing process. Industrial production does not include the transportation, transmission, or distribution of petroleum, liquefied gas, natural gas, water, or steam, in, by, or through pipes, lines, tanks, mains, or other means of transporting those products.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after June 30, 2004.

Sec. 8. Minnesota Statutes 2003 Supplement, section 297A.68, subdivision 5, is amended to read:

Subd. 5. [CAPITAL EQUIPMENT.] (a) Capital equipment is exempt. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied, and then refunded in the manner provided in section 297A.75.

"Capital equipment" means machinery and equipment purchased or leased, and used in this state by the purchaser or lessee primarily for manufacturing, fabricating, mining, or refining tangible personal property to be sold ultimately at retail if the machinery and equipment are essential to the integrated production process of manufacturing, fabricating, mining, or refining. Capital equipment also includes machinery and equipment used to electronically transmit results retrieved by a customer of an on-line computerized data retrieval system.

(b) Capital equipment includes, but is not limited to:

- (1) machinery and equipment used to operate, control, or regulate the production equipment;
- (2) machinery and equipment used for research and development, design, quality control, and testing activities;
- (3) environmental control devices that are used to maintain conditions such as temperature, humidity, light, or air pressure when those conditions are essential to and are part of the production process;
- (4) materials and supplies used to construct and install machinery or equipment;
- (5) repair and replacement parts, including accessories, whether purchased as spare parts, repair parts, or as upgrades or modifications to machinery or equipment;
- (6) materials used for foundations that support machinery or equipment;
- (7) materials used to construct and install special purpose buildings used in the production process;
- (8) ready-mixed concrete equipment in which the ready-mixed concrete is mixed as part of the delivery process regardless if mounted on a chassis and leases of ready-mixed concrete trucks; and
- (9) machinery or equipment used for research, development, design, or production of computer software.

(c) Capital equipment does not include the following:

- (1) motor vehicles taxed under chapter 297B;
- (2) machinery or equipment used to receive or store raw materials;
- (3) building materials, except for materials included in paragraph (b), clauses (6) and (7);
- (4) machinery or equipment used for nonproduction purposes, including, but not limited to, the following: plant security, fire prevention, first aid, and hospital stations; support operations or administration; pollution control; and plant cleaning, disposal of scrap and waste, plant communications, space heating, cooling, lighting, or safety;
- (5) farm machinery and aquaculture production equipment as defined by section 297A.61, subdivisions 12 and 13;
- (6) machinery or equipment purchased and installed by a contractor as part of an improvement to real property; ~~or~~
- (7) machinery or equipment used in the transportation, transmission, or distribution of petroleum, liquefied gas, natural gas, water, or steam, in, by, or through pipes, lines, tanks, mains, or other means of transporting those products. This clause does not apply to machinery and equipment used to blend biodiesel fuel, as defined in section 239.77; or

(8) any other item that is not essential to the integrated process of manufacturing, fabricating, mining, or refining.

(d) For purposes of this subdivision:

(1) "Equipment" means independent devices or tools separate from machinery but essential to an integrated production process, including computers and computer software, used in operating, controlling, or regulating machinery and equipment; and any subunit or assembly comprising a component of any machinery or accessory or attachment parts of machinery, such as tools, dies, jigs, patterns, and molds.

(2) "Fabricating" means to make, build, create, produce, or assemble components or property to work in a new or different manner.

(3) "Integrated production process" means a process or series of operations through which tangible personal property is manufactured, fabricated, mined, or refined. For purposes of this clause, (i) manufacturing begins with the removal of raw materials from inventory and ends when the last process prior to loading for shipment has been completed; (ii) fabricating begins with the removal from storage or inventory of the property to be assembled, processed, altered, or modified and ends with the creation or production of the new or changed product; (iii) mining begins with the removal of overburden from the site of the ores, minerals, stone, peat deposit, or surface materials and ends when the last process before stockpiling is completed; and (iv) refining begins with the removal from inventory or storage of a natural resource and ends with the conversion of the item to its completed form.

(4) "Machinery" means mechanical, electronic, or electrical devices, including computers and computer software, that are purchased or constructed to be used for the activities set forth in paragraph (a), beginning with the removal of raw materials from inventory through completion of the product, including packaging of the product.

(5) "Machinery and equipment used for pollution control" means machinery and equipment used solely to eliminate, prevent, or reduce pollution resulting from an activity described in paragraph (a).

(6) "Manufacturing" means an operation or series of operations where raw materials are changed in form, composition, or condition by machinery and equipment and which results in the production of a new article of tangible personal property. For purposes of this subdivision, "manufacturing" includes the generation of electricity or steam to be sold at retail.

(7) "Mining" means the extraction of minerals, ores, stone, or peat.

(8) "On-line data retrieval system" means a system whose cumulation of information is equally available and accessible to all its customers.

(9) "Primarily" means machinery and equipment used 50 percent or more of the time in an activity described in paragraph (a).

(10) "Refining" means the process of converting a natural resource to an intermediate or finished product, including the treatment of water to be sold at retail.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after June 30, 2004.

Sec. 9. Minnesota Statutes 2002, section 297A.68, is amended by adding a subdivision to read:

Subd. 40. [PERSONAL RAPID TRANSIT SYSTEM.] (a) Machinery, equipment, and supplies purchased or leased, and used by the purchaser or lessee in this state directly in the provision of a personal rapid transit system as defined in section 297A.61, subdivision 37, are exempt. Machinery, equipment, and supplies that qualify for this exemption include, but are not limited to, the following:

- (1) vehicles, guideways, and related parts used directly in the transit system;
- (2) computers and equipment used primarily for operating, controlling, and regulating the system;
- (3) machinery, equipment, furniture, and fixtures necessary for the functioning of system stations;
- (4) machinery, equipment, implements, tools, and supplies used to maintain vehicles, guideways, and stations; and
- (5) electricity and other fuels used in the provision of the transit service, including heating, cooling, and lighting of system stations.

(b) This exemption does not include machinery, equipment, and supplies used for nonproduction purposes such as operations support and administration.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after June 30, 2004.

Sec. 10. Minnesota Statutes 2003 Supplement, section 297A.70, subdivision 8, is amended to read:

Subd. 8. [REGIONWIDE PUBLIC SAFETY RADIO COMMUNICATION SYSTEM; PRODUCTS AND SERVICES.] Products and services including, but not limited to, end user equipment used for construction, ownership, operation, maintenance, and enhancement of the ~~backbone system of the~~ regionwide or statewide public safety radio communication system established under sections 403.21 to 403.34, are exempt. ~~For purposes of this subdivision, backbone system is defined in section 403.21, subdivision 9.~~ This subdivision is effective for purchases, sales, storage, use, or consumption ~~occurring before August 1, 2005,~~ in the counties of ~~Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington~~ Benton, Sherburne, Stearns, and Wright, and all counties located in the west metro, east metro, and southeast districts of the State Patrol.

[EFFECTIVE DATE.] This section is effective for sales made beginning the day after final enactment.

Sec. 11. Minnesota Statutes 2002, section 297A.70, is amended by adding a subdivision to read:

Subd. 17. [DONATED MEALS.] Meals that are normally sold at retail in the ordinary business activities of the taxpayer are exempt if the meals are donated to a nonprofit group as defined in subdivision 4 for fund-raising purposes.

[EFFECTIVE DATE.] This section is effective for donations made after June 30, 2004.

Sec. 12. Minnesota Statutes 2002, section 297A.71, is amended by adding a subdivision to read:

Subd. 33. [PERSONAL RAPID TRANSIT SYSTEM.] Materials, equipment, and supplies used in the construction, expansion, or improvement of a personal rapid transit system as defined in section 297A.61, subdivision 37.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after June 30, 2004.

Sec. 13. Minnesota Statutes 2002, section 297A.87, subdivision 2, is amended to read:

Subd. 2. [SELLER'S PERMIT OR ALTERNATE STATEMENT.] (a) The operator of an event under subdivision 1 shall obtain one of the following from a person who wishes to do business as a seller at the event:

(1) evidence that the person holds a valid seller's permit under section 297A.84; ~~or~~

(2) a written statement that the person is not offering for sale any item that is taxable under this chapter; or

(3) a written statement that this is the only selling event that the person will be participating in for that calendar year, that the person will be participating for three or fewer days, and that the person will make less than \$500 in total sales at the event. The written statement shall include the person's name, address, and telephone number.

(b) The operator shall require the evidence or statement as a prerequisite to participating in the event as a seller.

[EFFECTIVE DATE.] This section is effective for selling events occurring after June 15, 2004.

Sec. 14. Minnesota Statutes 2002, section 297A.87, subdivision 3, is amended to read:

Subd. 3. ~~[OCCASIONAL SALE PROVISIONS NOT APPLICABLE UNDER LIMITED CIRCUMSTANCES.]~~ The isolated and occasional sale ~~provisions~~ provision under section 297A.67, subdivision 23, ~~or~~ applies, provided that the seller only participates for three or fewer days in one event per calendar year, makes \$500 or less in sales at the event, and provides the written statement required in subdivision 2, paragraph (a), clause (3). The isolated and occasional sales provision under section 297A.68, subdivision 25, ~~do~~ does not apply to a seller at an event under this section.

[EFFECTIVE DATE.] This section is effective for selling events occurring after June 15, 2004.

Sec. 15. Laws 1998, chapter 389, article 8, section 43, subdivision 3, is amended to read:

Subd. 3. [USE OF REVENUES.] Revenues received from the taxes authorized by subdivisions 1 and 2 must be used by the city to pay for the cost of collecting and administering the taxes and to pay for the following projects:

(1) transportation infrastructure improvements including both highway and airport improvements;

(2) improvements to the civic center complex;

(3) a municipal water, sewer, and storm sewer project necessary to improve regional ground water quality; and

(4) construction of a regional recreation and sports center and ~~associated other~~ other facilities available for both community and student use, ~~located at or adjacent to the Rochester center.~~

The total amount of capital expenditures or bonds for these projects that may be paid from the revenues raised from the taxes authorized in this section may not exceed \$71,500,000. The total amount of capital expenditures or bonds for the project in clause (4) that may be paid from the revenues raised from the taxes authorized in this section may not exceed \$20,000,000.

[EFFECTIVE DATE.] This section is effective the day after the governing body of Rochester and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 16. Laws 2002, chapter 377, article 3, section 4, the effective date, is amended to read:

[EFFECTIVE DATE.] ~~With the exception of clause (2), item (ii),~~ This section is effective for sales and purchases made after June 30, 2002. ~~Clause (2), item (ii), is effective for sales and purchases made after June 30, 2002, and before January 1, 2006.~~

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

ARTICLE 5

SPECIAL TAXES

Section 1. Minnesota Statutes 2002, section 295.582, is amended to read:

295.582 [AUTHORITY.]

(a) A hospital, surgical center, or health care provider that is subject to a tax under section 295.52, or a pharmacy that has paid additional expense transferred under this section by a wholesale drug distributor, may transfer additional expense generated by section 295.52 obligations on to all third-party contracts for the purchase of health care services on behalf of a patient or consumer. The additional expense transferred to the third-party purchaser must not exceed the tax percentage specified in section 295.52 multiplied against the gross revenues received under the third-party contract, and the tax percentage specified in section 295.52 multiplied against co-payments and deductibles paid by the individual patient or consumer. The expense must not be generated on revenues derived from payments that are excluded from the tax under section 295.53. All third-party purchasers of health care services including, but not limited to, third-party purchasers regulated under chapter 60A, 62A, 62C, 62D, 62H, 62N, 64B, 65A, 65B, 79, or 79A, or under section 471.61 or 471.617, must pay the transferred expense in addition to any payments due under existing contracts with the hospital, surgical center, pharmacy, or health care provider, to the extent allowed under federal law. A third-party purchaser of health care services includes, but is not limited to, a health carrier or community integrated service network that pays for health care services on behalf of patients or that reimburses, indemnifies, compensates, or otherwise insures patients for health care services. A third-party purchaser shall comply with this section regardless of whether the third-party purchaser is a for-profit, not-for-profit, or nonprofit entity or whether the health care provider has chosen to itemize the tax on patient billings. A wholesale drug distributor may transfer additional expense generated by section 295.52 obligations to entities that purchase from the wholesaler, and the entities must pay the additional expense. Nothing in this section limits the ability of a hospital, surgical center, pharmacy, wholesale drug distributor, or health care provider to recover all or part of the section 295.52 obligation by other methods, including increasing fees or charges. If a provider elects to separately itemize the tax on the patient's bill, a third-party purchaser that has already incorporated the tax in its calculation of the payment amount due to the provider may deduct the additional itemized tax amount from the payment made to the provider.

(b) Each third-party purchaser regulated under any chapter cited in paragraph (a) shall include with its annual renewal for certification of authority or licensure documentation indicating compliance with paragraph (a).

(c) Any hospital, surgical center, or health care provider subject to a tax under section 295.52 or a pharmacy that has paid additional expense transferred under this section by a wholesale drug distributor may file a complaint with the commissioner responsible for regulating the third-party purchaser if at any time the third-party purchaser fails to comply with paragraph (a).

(d) If the commissioner responsible for regulating the third-party purchaser finds at any time that the third-party purchaser has not complied with paragraph (a), the commissioner may take enforcement action against a third-party purchaser which is subject to the commissioner's regulatory jurisdiction and which does not allow a hospital, surgical center, pharmacy, or provider to pass-through the tax. The commissioner may by order fine or censure the third-party purchaser or revoke or suspend the certificate of authority or license of the third-party purchaser to do business in this state if the commissioner finds that the third-party purchaser has not complied with this section. The third-party purchaser may appeal the commissioner's order through a contested case hearing in accordance with chapter 14.

[EFFECTIVE DATE.] This section is effective January 1, 2005, and applies to actions arising from services provided on or after that date.

Sec. 2. Minnesota Statutes 2002, section 297F.01, is amended by adding a subdivision to read:

Subd. 10a. [OUT-OF-STATE RETAILER.] "Out-of-state retailer" means a person engaged outside of this state in the business of selling, or offering to sell, cigarettes or tobacco products to consumers located in this state.

Sec. 3. [297F.031] [REGISTRATION REQUIREMENT.]

Prior to making delivery sales or shipping cigarettes or tobacco products in connection with any sales, an out-of-state retailer shall file with the Department of Revenue a statement setting forth the out-of-state retailer's name and trade name, and the address of the out-of-state retailer's principal place of business and any other place of business.

Sec. 4. Minnesota Statutes 2002, section 297F.09, is amended by adding a subdivision to read:

Subd. 4a. [REPORTING REQUIREMENTS.] No later than the 18th day of each calendar month, an out-of-state retailer that has made a delivery of cigarettes or tobacco products or shipped or delivered cigarettes or tobacco products into the state in a delivery sale in the previous calendar month shall file with the Department of Revenue reports in the form and in the manner prescribed by the commissioner of revenue that provides for each delivery sale, the name and address of the purchaser and the brand or brands and quantity of cigarettes or tobacco products sold. A tobacco retailer that meets the requirements of United States Code, title 15, section 375 et seq. satisfies the requirements of this subdivision.

Sec. 5. [297F.25] [CIGARETTE WHOLESALE TAX.]

Subdivision 1. [IMPOSITION.] A tax is imposed on the sale of cigarettes by a cigarette distributor to a retailer or cigarette subjobber for resale in this state. The tax is equal to 6.5 percent of:

(1) 112 percent of the distributor's gross invoice price, before any discounts and including the full face value of any cigarette stamps and the fee imposed under section 297F.24, of the cigarettes sold to a retailer; or

(2) 112 percent of the cost of the retailer, as defined in section 325D.32, subdivision 11, and any fees imposed under section 297F.24 of the cigarettes sold to a cigarette subjobber.

Subd. 2. [TAX COLLECTION REQUIRED.] A cigarette distributor must collect the tax imposed under subdivision 1 from the retailer or cigarette subjobber and the tax must be stated and charged separately. The tax collected must be remitted to the commissioner in the manner prescribed by subdivision 4.

Subd. 3. [PAYMENT.] Each taxpayer must remit payments of the taxes to the commissioner on the same dates prescribed under section 297F.09, subdivision 1, for cigarette tax returns, including the accelerated remittance of the June liability.

Subd. 4. [RETURN.] A taxpayer must file a return with the commissioner on the same dates prescribed under section 297F.09, subdivision 1, for cigarette tax returns.

Subd. 5. [FORM OF RETURN.] The return must contain the information and be in the form prescribed by the commissioner.

Subd. 6. [TAX AS DEBT.] The tax that is required to be collected by the distributor is a debt from the retailer or cigarette subjobber to the distributor recoverable at law in the same manner as other debts.

Subd. 7. [ADMINISTRATION.] The audit, assessment, interest, appeal, refund, and collection provisions applicable to the taxes imposed under this chapter apply to taxes imposed under this section.

Subd. 8. [DEPOSIT OF REVENUES.] Notwithstanding the provisions of section 297F.10, the commissioner shall deposit all revenues, including penalties and interest, derived from the tax imposed by this section, in the general fund.

[EFFECTIVE DATE.] This section is effective for all sales made on or after August 1, 2004.

Sec. 6. Minnesota Statutes 2002, section 297I.01, is amended by adding a subdivision to read:

Subd. 6a. [DIRECT BUSINESS.] (a) "Direct business" means all insurance provided by an insurance company or its agents, and specifically includes stop-loss insurance purchased in connection with a self-insurance plan for employee health benefits or for other purposes, but excludes:

(1) reinsurance; and

(2) self-insurance.

(b) For purposes of this subdivision, an insurance company includes a nonprofit health service corporation, health maintenance organization, and community integrated service network.

[EFFECTIVE DATE.] This section is effective for insurance premiums received after June 30, 2004.

Sec. 7. Minnesota Statutes 2002, section 297I.05, subdivision 4, is amended to read:

Subd. 4. [MUTUAL PROPERTY AND CASUALTY COMPANIES WITH TOTAL ASSETS LESS THAN \$1,600,000,000 ON DECEMBER 31, 1989.] A tax is imposed on mutual property and casualty companies that had total assets greater than \$5,000,000 at the end of the calendar year but that had total assets less than \$1,600,000,000 on December 31, 1989. The rate of tax is equal to:

(1) two percent of gross premiums less return premiums on all direct business received by the insurer or agents of the insurer in Minnesota the tax under subdivision 14 for life insurance, in cash or otherwise, during the year; and

(2) 1.26 percent of gross premiums less return premiums on all other direct business received by the insurer or agents of the insurer in Minnesota, in cash or otherwise, during the year.

[EFFECTIVE DATE.] This section is effective for premiums received after June 30, 2004.

Sec. 8. Minnesota Statutes 2002, section 297I.05, is amended by adding a subdivision to read:

Subd. 14. [LIFE INSURANCE.] A tax is imposed on life insurance. The rate of tax equals a percentage of gross premiums less return premiums on all direct business received by the insurer or agents of the insurer in Minnesota for life insurance, in cash or otherwise, during the year. For premiums received after December 31, 2004, but before January 1, 2006, the rate of tax is 1.9 percent. For premiums received after December 31, 2005, but before January 1, 2007, the rate of tax is 1.8 percent. For premiums received after December 31, 2006, but before January 1, 2008, the rate of tax is 1.7 percent. For premiums received after December 31, 2007, but before January 1, 2009, the rate of tax is 1.6 percent. For premiums received after December 31, 2008, the rate of tax is 1.5 percent.

[EFFECTIVE DATE.] This section is effective for premiums received after December 31, 2004.

Sec. 9. Minnesota Statutes 2003 Supplement, section 298.75, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] Except as may otherwise be provided, the following words, when used in this section, shall have the meanings herein ascribed to them.

(1) "Aggregate material" shall mean nonmetallic natural mineral aggregate including, but not limited to sand, silica sand, gravel, crushed rock, limestone, granite, and borrow, but only if the borrow is transported on a public road, street, or highway. Aggregate material shall not include dimension stone and dimension granite. Aggregate material must be measured or weighed after it has been extracted from the pit, quarry, or deposit.

(2) "Person" shall mean any individual, firm, partnership, corporation, organization, trustee, association, or other entity.

(3) "Operator" shall mean any person engaged in the business of removing aggregate material from the surface or subsurface of the soil, for the purpose of sale, either directly or indirectly, through the use of the aggregate material in a marketable product or service; except that operator does not include persons engaged in a transaction in which the aggregate is moved within a project's construction limits, as defined in the official project construction plan documents, to other locations within that same project's construction limits.

(4) "Extraction site" shall mean a pit, quarry, or deposit containing aggregate material and any contiguous property to the pit, quarry, or deposit which is used by the operator for stockpiling the aggregate material.

(5) "Importer" shall mean any person who buys aggregate material produced from a county not listed in paragraph (6) or another state and causes the aggregate material to be imported into a county in this state which imposes a tax on aggregate material.

(6) "County" shall mean the counties of Pope, Stearns, Benton, Sherburne, Carver, Scott, Dakota, Le Sueur, Kittson, Marshall, Pennington, Red Lake, Polk, Norman, Mahnomon, Clay, Becker, Carlton, St. Louis, Rock, Murray, Wilkin, Big Stone, Sibley, Hennepin, Washington, Chisago, and Ramsey. County also means any other county whose board has voted after a public hearing to impose the tax under this section and has notified the commissioner of revenue of the imposition of the tax.

(7) "Borrow" shall mean granular borrow, consisting of durable particles of gravel and sand, crushed quarry or mine rock, crushed gravel or stone, or any combination thereof, the ratio of the portion passing the (#200) sieve divided by the portion passing the (1 inch) sieve may not exceed 20 percent by mass.

[EFFECTIVE DATE.] This section is effective for aggregate sold, imported, transported, or used from a stockpile after June 30, 2004.

Sec. 10. [325F.781] [REQUIREMENTS; TOBACCO PRODUCT DELIVERY SALES.]

Subdivision 1. [DEFINITIONS.] (a) For purposes of this section, the following terms have the meanings given, unless the language or context clearly provides otherwise.

(b) "Consumer" means an individual who purchases, receives, or possesses tobacco products for personal consumption and not for resale.

(c)(1) "Delivery sale" means:

(i) a sale of tobacco products to a consumer in this state when:

(A) the purchaser submits the order for the sale by means of a telephonic or other method of voice transmission, the mail or any other delivery service, or the Internet or other on-line service; or

(B) the tobacco products are delivered by use of the mail or other delivery service; or

(ii) a sale of tobacco products that satisfies the criteria in clause (1), item (i), regardless of whether the seller is located inside or outside the state.

(2) A sale of tobacco products to an individual in this state must be treated as a sale to a consumer, unless the individual is licensed as a distributor or retailer of tobacco products.

(d) "Delivery service" means a person, including the United States Postal Service, that is engaged in the commercial delivery of letters, packages, or other containers.

(e) "Distributor" means a person, whether located inside or outside this state, other than a retailer, who sells or distributes tobacco products in the state. Distributor does not include a tobacco products manufacturer, export warehouse proprietor, or importer with a valid permit under United States Code, title 26, section 5712 (1997), if the person sells or distributes tobacco products in this state only to distributors who hold valid and current licenses under the laws of a state, or to an export warehouse proprietor or another manufacturer. Distributor does not include a common or contract carrier that is transporting tobacco products under a proper bill of lading or freight bill that states the quantity, source, and destination of tobacco products, or a person who ships tobacco products through this state by common or contract carrier under a bill of lading or freight bill.

(f) "Retailer" means a person, whether located inside or outside this state, who sells or distributes tobacco products to a consumer in this state.

(g) "Tobacco products" means:

(1) cigarettes, as defined in section 297F.01, subdivision 3; and

(2) smokeless tobacco as defined in section 325F.76.

Subd. 2. [REQUIREMENTS FOR ACCEPTING ORDER FOR DELIVERY SALE.] (a) This subdivision applies to acceptance of an order for a delivery sale of tobacco products.

(b) When accepting the first order for a delivery sale from a consumer, the tobacco retailer shall obtain the following information from the person placing the order:

(1) a copy of a valid government-issued document that provides the person's name, current address, photograph, and date of birth; and

(2) an original written statement signed by the person documenting that the person:

(i) is of legal age to purchase tobacco products in the state;

(ii) has made a choice whether to receive mailings from a tobacco retailer;

(iii) understands that providing false information may be a violation of law; and

(iv) understands that it is a violation of law to purchase tobacco products for subsequent resale or for delivery to persons who are under the legal age to purchase tobacco products.

(c) If an order is made as a result of advertisement over the Internet, the tobacco retailer shall request the e-mail address of the purchaser and shall receive payment by credit card or check prior to shipping.

(d) Prior to shipping the tobacco products, the tobacco retailer shall verify the information provided under paragraph (b) against a commercially available database. Any such database or databases may also include age and identity information from other government or validated commercial sources, if that additional information is regularly used by government and businesses for the purpose of identity verification and authentication, and if the additional information is used only to supplement and not to replace the government-issued identification data in the age and identity verification process.

Subd. 3. [REQUIREMENTS FOR SHIPPING A DELIVERY SALE.] (a) This subdivision applies to a tobacco retailer shipping tobacco products pursuant to a delivery sale.

(b) The tobacco retailer shall clearly mark the outside of the package of tobacco products to be shipped "tobacco products - adult signature required" and to show the name of the tobacco retailer.

(c) The tobacco retailer shall utilize a delivery service that imposes the following requirements:

(1) an adult must sign for the delivery; and

(2) the person signing for the delivery must show valid government-issued identification that contains a photograph of the person signing for the delivery and indicates that the person signing for the delivery is of legal age to purchase tobacco products and resides at the delivery address.

(d) The retailer must provide delivery instructions that clearly indicate the requirements of this subdivision and must declare that state law requires compliance with the requirements.

Subd. 4. [COMMON CARRIERS.] This section may not be construed as imposing liability upon any common carrier, or officers or employees of the common carrier, when acting within the scope of business of the common carrier.

Subd. 5. [REGISTRATION REQUIREMENT.] Prior to making delivery sales or shipping tobacco products in connection with any sales, an out-of-state retailer must meet the requirements of section 297F.031.

Subd. 6. [COLLECTION OF TAXES.] (a) Prior to shipping any tobacco products to a purchaser in this state, the out-of-state retailer shall comply with all requirements of chapter 297F and shall ensure that all state excise taxes and fees that apply to such tobacco products have been collected and paid to the state and that all related state excise tax stamps or other indicators of state excise tax payment have been properly affixed to those tobacco products.

(b) In addition to any penalties under chapter 297F, a distributor who fails to pay any tax due according to paragraph (a) shall pay, in addition to any other penalty, a penalty of 50 percent of the tax due but unpaid.

Subd. 7. [APPLICATION OF STATE LAWS.] All state laws that apply to in-state tobacco product retailers shall apply to Internet and mail-order sellers that sell into this state.

Subd. 8. [FORFEITURE.] Any tobacco product sold or attempted to be sold in a delivery sale that does not meet the requirements of this section is deemed to be contraband and is subject to forfeiture in the same manner as and in accordance with the provisions of section 297F.21.

Subd. 9. [CIVIL PENALTIES.] (a) A tobacco retailer or distributor who violates this section or rules adopted under this section is subject to the following fines:

(1) for the first violation, a fine of not more than \$1,000; and

(2) for the second and any subsequent violation, a fine of not more than \$5,000.

(b) A person who submits ordering information under subdivision 2, paragraph (b), in another person's name is subject to a fine of not more than \$1,000.

Subd. 10. [ENFORCEMENT.] The attorney general may bring an action to enforce this section and may seek injunctive relief, including a preliminary or final injunction, and fines, penalties, and equitable relief and may seek to prevent or restrain actions in violation of this section by any person or any person controlling such person. In addition, a violation of this section is a violation of the Unlawful Trade Practices Act, sections 325D.09 to 325D.16.

Sec. 11. [FLOOR STOCKS TAX.]

Subdivision 1. [CIGARETTES.] A floor stocks tax is imposed on every retailer or cigarette subjobber, on the stamped cigarettes in the retailer's or cigarette subjobber's possession or under the retailer's or cigarette subjobber's control, at 12:01 a.m. on July 31, 2004. The tax is imposed at the following rates:

(1) on cigarettes weighing not more than three pounds per thousand, 13.5 mills on each cigarette; and

(2) on cigarettes weighing more than three pounds per thousand, 27 mills on each cigarette.

Each retailer shall file a return with the commissioner, in the form the commissioner prescribes, showing the cigarettes on hand at 12:01 a.m. on August 1, 2004, and pay the tax due thereon by September 1, 2004. Tax not paid by the due date bears interest at the rate of one percent a month.

Subd. 2. [AUDIT AND ENFORCEMENT.] The tax imposed by this section is subject to the audit, assessment, and collection provisions applicable to the taxes imposed under Minnesota Statutes, chapter 297F. The commissioner may require a distributor to receive and maintain copies of floor stocks tax returns filed by all retailers requesting a credit for returned cigarettes.

Subd. 3. [DEPOSIT OF PROCEEDS.] Notwithstanding the provisions of Minnesota Statutes, section 297F.10, the revenue from the tax imposed under this section shall be deposited by the commissioner in the general fund.

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

ARTICLE 6

TAX INCREMENT FINANCING

Section 1. Minnesota Statutes 2003 Supplement, section 116J.556, is amended to read:

116J.556 [LOCAL MATCH REQUIREMENT.]

(a) In order to qualify for a grant under sections 116J.551 to 116J.557, the municipality must pay for at least one-quarter of the project costs as a local match. The municipality shall pay an amount of the project costs equal to at least 12 percent of the cleanup costs from the municipality's general fund, a property tax levy for that purpose, or other unrestricted money available to the municipality (excluding tax increments). These unrestricted moneys may be spent for project costs, other than cleanup costs, and qualify for the local match payment equal to 12 percent of cleanup costs. The rest of the local match may be paid with tax increments, regional, state, or federal money available for the redevelopment of brownfields or any other money available to the municipality.

~~(b) If the development authority establishes a tax increment financing district or hazardous substance subdistrict on the site to pay for part of the local match requirement, the district or subdistrict must be decertified when an amount of tax increments equal to no more than three times the costs of implementing the response action plan for the site and the administrative costs for the district or subdistrict have been received, after deducting the amount of the state grant.~~

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

Sec. 2. Minnesota Statutes 2002, section 469.174, subdivision 11, is amended to read:

Subd. 11. [HOUSING DISTRICT.] "Housing district" means a type of tax increment financing district which consists of a project, or a portion of a project, intended for occupancy, in part, by persons or families of low and moderate income, as defined in chapter 462A, Title II of the National Housing Act of 1934, the National Housing Act of 1959, the United States Housing Act of 1937, as amended, Title V of the Housing Act of 1949, as amended, any other similar present or future federal, state, or municipal legislation, or the regulations promulgated under any of those acts. ~~A district does not qualify as a housing district under this subdivision if the fair market value of the improvements which are constructed in the district for commercial uses or for uses other than low and moderate income housing consists of more than 20 percent of the total fair market value of the planned improvements in the development plan or agreement. The fair market value of the improvements may be determined using the cost of construction, capitalized income, or other appropriate method of estimating market value, and that satisfies the requirements of section 469.1761.~~ Housing project means a project, or a portion of a project, that meets all of the qualifications of a housing district under this subdivision, whether or not actually established as a housing district.

[EFFECTIVE DATE.] This section is effective for districts for which the request for certification was filed with the county auditor after October 5, 1989, except (1) the new language is effective for requests for certification made after June 30, 2004, and (2) the fair market value of the improvements which are constructed for commercial uses in a district for which the request for certification was filed with the county auditor after October 5, 1989, and before July 1, 2004, may not exceed more than 20 percent of total fair market value of the planned improvements in the development plan or agreement.

Sec. 3. Minnesota Statutes 2003 Supplement, section 469.174, subdivision 25, is amended to read:

Subd. 25. [INCREMENT.] "Increment," "tax increment," "tax increment revenues," "revenues derived from tax increment," and other similar terms for a district include:

(1) taxes paid by the captured net tax capacity, but excluding any excess taxes, as computed under section 469.177;

(2) the proceeds from the sale or lease of property, tangible or intangible, to the extent the property was purchased by the authority with tax increments;

(3) principal and interest received on loans or other advances made by the authority with tax increments; ~~and~~

(4) interest or other investment earnings on or from tax increments;

(5) repayment or return of tax increments made to the authority under agreements for districts for which the request for certification was made after August 1, 1993; and

(6) the market value homestead credit paid to the authority under section 273.1384.

[EFFECTIVE DATE.] This section is effective for tax increment financing districts, regardless of when the request for certification was made, including districts for which the request for certification was made before August 1, 1979.

Sec. 4. Minnesota Statutes 2002, section 469.175, subdivision 4a, is amended to read:

Subd. 4a. [FILING PLAN WITH STATE.] (a) The authority must file a copy of the tax increment financing plan and amendments to the plan with the commissioner of revenue and the state auditor. The authority must also file a copy of the development plan or the project plan for the project area with the commissioner of revenue. ~~The commissioner of revenue shall provide a copy of a plan to the state auditor upon request and the state auditor.~~

(b) Filing under this subdivision must be made within 60 days after the latest of:

- (1) the filing of the request for certification of the district;
- (2) approval of the plan by the municipality; or
- (3) adoption of the plan by the authority.

[EFFECTIVE DATE.] This section is effective for plans filed after July 1, 2004.

Sec. 5. Minnesota Statutes 2002, section 469.176, subdivision 4d, is amended to read:

Subd. 4d. [HOUSING DISTRICTS.] Revenue derived from tax increment from a housing district must be used solely to finance the cost of housing projects as defined in ~~section~~ sections 469.174, subdivision 11, and 469.1761. The cost of public improvements directly related to the housing projects and the allocated administrative expenses of the authority may be included in the cost of a housing project.

[EFFECTIVE DATE.] This section is effective for all districts to which the provisions of Minnesota Statutes, section 469.1761, applies.

Sec. 6. Minnesota Statutes 2002, section 469.1761, subdivision 1, is amended to read:

Subdivision 1. [REQUIREMENT IMPOSED.] (a) In order for a tax increment financing district to qualify as a housing district:

- (1) the income limitations provided in this section must be satisfied; and
- (2) no more than 20 percent of the square footage of buildings that receive assistance from tax increments may consist of commercial, retail, or other nonresidential uses.

(b) The requirements imposed by this section apply to ~~residential~~ property receiving assistance financed with tax increments, including interest reduction, land transfers at less than the authority's cost of acquisition, utility service or connections, roads, parking facilities, or other subsidies. The provisions of this section do not apply to districts located in a targeted area as defined in section 462C.02, subdivision 9, clause (e).

[EFFECTIVE DATE.] This section is effective for districts for which the request for certification was made after June 30, 2004.

Sec. 7. Minnesota Statutes 2002, section 469.1761, subdivision 3, is amended to read:

Subd. 3. [RENTAL PROPERTY.] For residential rental property, the property must satisfy the income requirements for a qualified residential rental project as defined in section 142(d) of the Internal Revenue Code. ~~A property also satisfies the requirements of section 142(d) if 50 percent of the residential units in the project are~~

occupied by individuals whose income is 80 percent or less of area median gross income. The requirements of this subdivision apply for the duration of the tax increment financing district.

[EFFECTIVE DATE.] This section is effective for districts for which the request for certification was made after June 30, 2004.

Sec. 8. Minnesota Statutes 2003 Supplement, section 469.177, subdivision 1, is amended to read:

Subdivision 1. [ORIGINAL NET TAX CAPACITY.] (a) Upon or after adoption of a tax increment financing plan, the auditor of any county in which the district is situated shall, upon request of the authority, certify the original net tax capacity of the tax increment financing district and that portion of the district overlying any subdistrict as described in the tax increment financing plan and shall certify in each year thereafter the amount by which the original net tax capacity has increased or decreased as a result of a change in tax exempt status of property within the district and any subdistrict, reduction or enlargement of the district or changes pursuant to subdivision 4.

(b) If the classification under section 273.13 of property located in a district changes to a classification that has a different assessment ratio, the original net tax capacity of that property must be redetermined at the time when its use is changed as if the property had originally been classified in the same class in which it is classified after its use is changed.

(c) The amount to be added to the original net tax capacity of the district as a result of previously tax exempt real property within the district becoming taxable equals the net tax capacity of the real property as most recently assessed pursuant to section 273.18 or, if that assessment was made more than one year prior to the date of title transfer rendering the property taxable, the net tax capacity assessed by the assessor at the time of the transfer. If improvements are made to tax exempt property after certification of the district and before the parcel becomes taxable, the assessor shall, at the request of the authority, separately assess the estimated market value of the improvements. If the property becomes taxable, the county auditor shall add to original net tax capacity, the net tax capacity of the parcel, excluding the separately assessed improvements. If substantial taxable improvements were made to a parcel after certification of the district and if the property later becomes tax exempt, in whole or part, as a result of the authority acquiring the property through foreclosure or exercise of remedies under a lease or other revenue agreement or as a result of tax forfeiture, the amount to be added to the original net tax capacity of the district as a result of the property again becoming taxable is the amount of the parcel's value that was included in original net tax capacity when the parcel was first certified. The amount to be added to the original net tax capacity of the district as a result of enlargements equals the net tax capacity of the added real property as most recently certified by the commissioner of revenue as of the date of modification of the tax increment financing plan pursuant to section 469.175, subdivision 4.

(d) If the net tax capacity of a property increases because the property no longer qualifies under the Minnesota Agricultural Property Tax Law, section 273.111; the Minnesota Open Space Property Tax Law, section 273.112; or the Metropolitan Agricultural Preserves Act, chapter 473H, or because platted, unimproved property is improved or ~~three years pass~~ market value is increased after approval of the plat under section 273.11, ~~subdivision 1~~ subdivision 14, 14a, or 14b, the increase in net tax capacity must be added to the original net tax capacity.

(e) The amount to be subtracted from the original net tax capacity of the district as a result of previously taxable real property within the district becoming tax exempt, or a reduction in the geographic area of the district, shall be the amount of original net tax capacity initially attributed to the property becoming tax exempt or being removed from the district. If the net tax capacity of property located within the tax increment financing district is reduced by reason of a court-ordered abatement, stipulation agreement, voluntary abatement made by the assessor or auditor or by order of the commissioner of revenue, the reduction shall be applied to the original net tax capacity of the district

when the property upon which the abatement is made has not been improved since the date of certification of the district and to the captured net tax capacity of the district in each year thereafter when the abatement relates to improvements made after the date of certification. The county auditor may specify reasonable form and content of the request for certification of the authority and any modification thereof pursuant to section 469.175, subdivision 4.

(f) If a parcel of property contained a substandard building that was demolished or removed and if the authority elects to treat the parcel as occupied by a substandard building under section 469.174, subdivision 10, paragraph (b), the auditor shall certify the original net tax capacity of the parcel using the greater of (1) the current net tax capacity of the parcel, or (2) the estimated market value of the parcel for the year in which the building was demolished or removed, but applying the class rates for the current year.

(g) For a redevelopment district qualifying under section 469.174, subdivision 10, paragraph (a), clause (4), as a qualified disaster area, the auditor shall certify the value of the land as the original tax capacity for any parcel in the district that contains a building that suffered substantial damage as a result of the disaster or emergency.

[EFFECTIVE DATE.] This section is effective for land platted on or after August 1, 1991.

Sec. 9. Minnesota Statutes 2002, section 469.1771, subdivision 5, is amended to read:

Subd. 5. [DISPOSITION OF PAYMENTS.] If the authority does not have sufficient increments or other available money to make a payment required by this section, the municipality that approved the district must use any available money to make the payment including the levying of property taxes. Money received by the county auditor under this section must be distributed as excess increments under section 469.176, subdivision 2, paragraph ~~(a)~~ (c), clause (4), except that if the county auditor receives the payment after (1) 60 days from a municipality's receipt of the state auditor's notification under subdivision 1, paragraph (c), of noncompliance requiring the payment, or (2) the commencement of an action by the county attorney to compel the payment, then no distributions may be made to the municipality that approved the tax increment financing district.

[EFFECTIVE DATE.] This section is effective at the same time as the amendments to Minnesota Statutes, section 469.176, subdivision 2, by Laws 2003, chapter 127, article 10, section 11.

Sec. 10. Minnesota Statutes 2002, section 469.178, subdivision 1, is amended to read:

Subdivision 1. [GENERALLY.] Notwithstanding any other law, no bonds, payment for which tax increment is pledged, shall be issued in connection with any project for which tax increment financing has been undertaken except as authorized in this section. The proceeds from the bonds shall be used only in accordance with section 469.176, ~~subdivision~~ subdivisions 4 to 4l, as if the proceeds were tax increment, except that a tax increment financing plan need not be adopted for any project for which tax increment financing has been undertaken prior to August 1, 1979, pursuant to laws not requiring a tax increment financing plan. The bonds are not included for purposes of computing the net debt of any municipality.

[EFFECTIVE DATE.] This section is effective for tax increment financing districts for which the request for certification was made after August 1, 1979.

Sec. 11. Minnesota Statutes 2002, section 469.1831, subdivision 6, is amended to read:

Subd. 6. [CITIZEN PARTICIPATION REQUIRED.] (a) The neighborhood revitalization program must be developed with the process outlined in this subdivision.

(b) The program must include the preparation and implementation of neighborhood action plans. The city must organize neighborhoods to prepare and implement the neighborhood action plans. The neighborhoods must include the participation of, whenever possible, all populations and interests in each neighborhood including renters,

homeowners, people of color, business owners, representatives of neighborhood institutions, youth, and the elderly. The neighborhood action plan must be submitted to the policy board established under paragraph (c). The city must provide available resources, information, and technical assistance to prepare the neighborhood action plans.

(c) Each city that develops a program must establish a policy board whose membership includes members of the city council, county board, school board, and citywide library and park board where they exist appointed by the respective governing bodies; the mayor or designee of the mayor; and a representative from the city's house of representatives delegation and a representative from the city's state senate delegation appointed by the respective delegation. The policy board may also include representatives of citywide community organizations, neighborhood organizations, business owners, labor, and neighborhood residents. The elected officials and appointed members of the library board who are members of the policy board may appoint the other members of the board.

(d) The policy board shall review, modify where appropriate, and approve, in whole or in part, the neighborhood action plans and forward its recommendations for final action to the governing bodies represented on the policy board and shall administer and implement the program as required by paragraph (b). The governing bodies shall review, modify where appropriate, and give final approval, in whole or in part, to those actions over which they have programmatic jurisdiction.

(e) Except for the legislative appointees, each of the governmental units and groups named in paragraph (c) may, by resolution or agreement of its governing body, become a member of the policy board. The nongovernmental organizations and persons named in paragraph (c) shall provide members of the policy board upon invitation by the governmental members of the policy board. The member to represent a nongovernmental organization shall be a member of the policy board only upon resolution or agreement of the governing body of the member's organization. Upon the resolution or agreement of two or more governmental bodies or governmental boards, the policy board shall be a joint powers board under section 471.59, except that no power may be exercised under section 471.59, subdivision 11. The policy board may:

(1) sue and be sued. All defenses and limitations available to municipalities under chapter 466 and other laws, shall apply to the policy board, its members, director, and other staff members;

(2) hire, retain, discipline, and terminate a director to direct its activities and accomplish its program. The director may hire necessary staff subject to authorization by the board;

(3) enter into contracts, leases, purchases, or other documents evidencing its undertakings. No contract, lease, or purchase or other document may be entered into unless funds have been appropriated or otherwise made available to the policy board;

(4) adopt bylaws for its own governance;

(5) enter into agreements with governmental units and governing boards, and nongovernmental organizations represented on the policy board for services required to fulfill the policy boards' purposes;

(6) accept gifts, donations, and appropriations from governmental or nongovernmental sources and apply for grants from them;

(7) review activities to determine whether the expenditure of program money and other money is in compliance with the neighborhood plans adopted by the policy board and approved by the governing bodies having jurisdiction over the program, and report its findings prior to October 1 of each year to all of the governmental units, agencies, and nongovernmental organizations represented on the policy board; and

(8) prepare annually an administrative budget for the ensuing year, estimating its expenditures and estimated revenues, and forward its proposed budget to the governmental units and agencies and nongovernmental organizations for appropriate action.

Sec. 12. Laws 1990, chapter 604, article 7, section 29, subdivision 1, as amended by Laws 1991, chapter 291, article 10, section 20, is amended to read:

Subdivision 1. [EXPENDITURE.] The city of Minneapolis and the Minneapolis community development agency shall ~~reserve convey, no later than April 1 of the year immediately following the year for which the conveyance is made,~~ \$10,000,000 ~~in~~ for 1990 and \$20,000,000 for each year from 1991 to 2009 from tax increment and other revenues generated from the Minneapolis community development agency common project, adopted December 30, 1989, to the policy board established under Minnesota Statutes, section 469.1831, subdivision 6, to be expended in neighborhood revitalization anywhere within the city of Minneapolis by the Minneapolis community development agency for any purpose permitted by Minnesota Statutes, section 469.1831, for any political subdivision, except that at least 52.5 percent of the money must be expended on housing programs and related purposes. None of these revenues shall be expended in 1990. Conveyance of money under this subdivision, as amended by this act for 2004 and later years, does not change any obligation of the city and the Minneapolis community development agency that was still owing for 2003 and earlier years on the day before the effective date of the amendments made by this act.

Sec. 13. Laws 1998, chapter 389, article 11, section 24, subdivision 1, is amended to read:

Subdivision 1. [SPECIAL RULES.] (a) If the city elects upon the adoption of the tax increment financing plan for the district, the rules under this section apply to redevelopment or soils condition tax increment financing districts established by the city of New Brighton or a development authority of the city in the area bounded on the north by the south boundary line of tax increment district number 8 extended to Long Lake regional park, on the east by interstate highway 35W, on the south by interstate highway 694, and on the west by Long Lake regional park.

(b) The five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, is extended to ~~nine~~ ten years for the district.

(c) The limitations on spending increment outside of the district under Minnesota Statutes, section 469.1763, subdivision 2, do not apply, but increments may only be expended on improvements or activities within the area defined in paragraph (a) and increments collected from parcels identified in paragraph (d) may only be spent on eligible expenses within the area consisting of those parcels, sanitary sewer relocation and the cost of road improvements directly resulting from development of the parcels, and for administrative expenses.

(d) The requirements for qualifying a redevelopment district under Minnesota Statutes, section 469.174, subdivision 10, do not apply to the parcels identified as that part of 20-30-23-13-0005 lying east of Old Highway 8, 20-30-23-14-0001, 20-30-23-14-0002, 20-30-23-14-0004, 20-30-23-14-0003, 20-30-23-41-0001, 21-30-23-32-0009, 21-30-23-32-0010, 20-30-23-41-0015, 20-30-23-41-0003, 21-30-23-32-0013, 20-30-23-41-0004, 20-30-23-41-0016, 20-30-23-41-0005, 20-30-23-41-0006, 20-30-23-41-0007, 20-30-23-41-0014, 20-30-23-41-0010, and 20-30-23-44-0002. The area of each parcel is deemed eligible for the purpose of qualifying for inclusion in a redevelopment district.

Sec. 14. Laws 1998, chapter 389, article 11, section 24, subdivision 2, is amended to read:

Subd. 2. [EXPIRATION.] (a) The exception from the limitations of Minnesota Statutes, section 469.1763, subdivision 2, expires 18 years after the receipt of the first increment from a district to which the city has elected that this section applies.

(b) The authority to approve tax increment financing plans to establish a tax increment financing district or districts under this section expires on December 31, 2008.

(c) If parcels identified in subdivision 1, paragraph (d), are released from the development agreement without being developed and the right to develop the parcels is returned to the city, the authority to approve tax increment financing plans and districts under this section for those parcels is extended for five additional years from the date the development rights are returned to the city.

[EFFECTIVE DATE.] This section is effective upon approval by the governing bodies of the city of New Brighton and Ramsey County and upon compliance by the city with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 15. [EXTENSION OF TIME TO EXPEND TAX INCREMENT.]

Notwithstanding any contrary provision of law or charter, for tax increment financing district number 3, established on December 19, 1994, by Brooklyn Center Resolution No. 94-273, Minnesota Statutes, section 469.1763, subdivision 3, applies to the district by permitting a period of 13 years for commencement of activities within the district.

[EFFECTIVE DATE.] This section is effective upon approval by the governing body of the city of Brooklyn Center and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 16. [CITY OF ROBBINSDALE; TIF.]

The governing body of the city of Robbinsdale and its economic development authority may treat the building located at the corner of Regent Avenue and County Road 9 in the city of Robbinsdale and originally constructed as the Robbinsdale High School along with the subsequent additions to and improvements of that building as a structurally substandard building for purposes of Minnesota Statutes, section 469.174, subdivision 10, without regard to the requirements of paragraph (c) of that subdivision.

[EFFECTIVE DATE.] This section is effective upon approval by the governing body of the city of Robbinsdale under Minnesota Statutes, section 645.021.

Sec. 17. [WABASHA TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [DISTRICT EXTENSION.] The governing body of the city of Wabasha may elect to extend the duration of its redevelopment tax increment financing district number 3 by up to three additional years.

Subd. 2. [FIVE-YEAR RULE.] The requirements of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district must be considered to be met for the city of Wabasha redevelopment tax increment district number 3, if the activities are undertaken within ten years from the date of certification of the district.

Subd. 3. [NATIONAL EAGLE CENTER.] Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 4, or any other law, the city of Wabasha may spend the proceeds of tax increment bonds issued prior to January 1, 2000, to pay the costs of acquiring and constructing a National Eagle Center in the city. The city of Wabasha may also use tax increment from its tax increment districts to pay the debt service on such bonds, or any bonds issued to refund such bonds, subject to legal restrictions on the pooling of tax increment. These bonds may not be treated as preexisting obligations for purposes of Minnesota Statutes, section 469.1794.

Subd. 4. [POOLING.] Except as otherwise specifically provided in this section, all increments from district number 3 must be spent on activities within the district and administrative expenses.

[EFFECTIVE DATE.] Subdivision 1 is effective upon compliance with the provisions of Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021. Subdivisions 2 and 3 are effective upon compliance by the governing body of the city of Wabasha with the provisions of Minnesota Statutes, section 645.021.

Sec. 18. [REPEALER.]

Minnesota Statutes 2002, sections 469.176, subdivision 1a; and 469.1766, are repealed.

[EFFECTIVE DATE.] The repeal of Minnesota Statutes, section 469.1766, is effective for districts for which the request for certification was made after August 1, 1993. The repeal of Minnesota Statutes, section 469.176, subdivision 1a, is effective the day following final enactment, provided that Minnesota Statutes, section 469.176, subdivision 1a, is satisfied for any district to which it applies, if bonds have been issued, property acquired, or public improvements constructed before the end of the three-year period, regardless of whether the action was undertaken before or after certification of the district.

ARTICLE 7

INTERNATIONAL ECONOMIC DEVELOPMENT ZONES

Section 1. Minnesota Statutes 2002, section 272.02, is amended by adding a subdivision to read:

Subd. 73. [INTERNATIONAL ECONOMIC DEVELOPMENT ZONE PROPERTY.] (a) Improvements to real property, and personal property, classified under section 273.13, subdivision 24, and located within an international economic development zone designated under section 469.322, are exempt from ad valorem taxes levied under chapter 275, if the occupant of the property is a qualified business, as defined in section 469.321.

(b) The exemption applies beginning for the first assessment year after designation of the international economic development zone. The exemption applies to each assessment year that begins during the duration of the international economic development zone and to property occupied by July 1 of the assessment year by a qualified business for the duration permitted under section 469.324, subdivision 2.

Sec. 2. Minnesota Statutes 2002, section 290.06, is amended by adding a subdivision to read:

Subd. 32. [INTERNATIONAL ECONOMIC DEVELOPMENT ZONE JOB CREDIT.] A taxpayer that is a qualified business, as defined in section 469.321, subdivision 6, is allowed a credit as determined under section 469.325 against the tax imposed by this chapter.

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

Sec. 3. Minnesota Statutes 2002, section 290.191, is amended by adding a subdivision to read:

Subd. 13. [INTERNATIONAL ECONOMIC DEVELOPMENT ZONES.] (a) A qualified business as defined under section 469.321 may exclude from:

(1) the numerator of its payroll factor the amount of its international economic development zone payroll; and

(2) the numerator of its property factor the amount of its property with a situs in the international economic development zone.

(b) The provisions of this subdivision apply to a qualified business for the duration provided under section 469.324.

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

Sec. 4. Minnesota Statutes 2002, section 297A.68, is amended by adding a subdivision to read:

Subd. 41. [INTERNATIONAL ECONOMIC DEVELOPMENT ZONES.] (a) Purchases of tangible personal property or taxable services by a qualified business, as defined in section 469.321, are exempt if the property or services are primarily used or consumed in an international economic development zone designated under section 469.322.

(b) Purchase and use of construction materials and supplies for construction of improvements to real property in an international economic development zone are exempt if the improvements after completion of construction are to be used in the conduct of a qualified business, as defined in section 469.321. This exemption applies regardless of whether the purchases are made by the business or a contractor.

(c) The exemptions under this subdivision apply to a local sales and use tax, regardless of whether the local tax is imposed on sales taxable under this chapter or in another law, ordinance, or charter provision.

(d) This subdivision applies to sales, if the purchase was made and delivery received during the period provided under section 469.324, subdivision 2.

[EFFECTIVE DATE.] This section is effective for sales made on or after the day following final enactment.

Sec. 5. [469.321] [DEFINITIONS.]

Subdivision 1. [SCOPE.] For purposes of sections 469.321 to 469.327, the following terms have the meanings given.

Subd. 2. [FOREIGN TRADE ZONE.] "Foreign trade zone" means a foreign trade zone designated pursuant to United States Code, title 19, section 81b, for the right to use the powers provided in United States Code, title 19, sections 81a to 81u, or a subzone authorized by the foreign trade zone.

Subd. 3. [FOREIGN TRADE ZONE AUTHORITY.] "Foreign trade zone authority" means the Greater Metropolitan Foreign Trade Zone Commission number 119, a joint powers authority created by the county of Hennepin, the cities of Minneapolis and Bloomington, and the Metropolitan Airports Commission, under the authority of section 469.059 or 469.101, which includes any other political subdivisions that enter into the authority after its creation.

Subd. 4. [INTERNATIONAL ECONOMIC DEVELOPMENT ZONE.] An "international economic development zone" or "zone" is a zone so designated under section 469.322.

Subd. 5. [PERSON.] "Person" includes an individual, corporation, partnership, limited liability company, association, or any other entity.

Subd. 6. [QUALIFIED BUSINESS.] (a) "Qualified business" means a person carrying on a trade or business at a place of business located within an international economic development zone that is:

(1) engaged in the furtherance of international export or import of goods; and

(2) certified by the foreign trade zone authority as a trade or business that furthers the purpose of developing international distribution capacity and capability.

(b) A person that relocates a trade or business from within Minnesota but outside an international economic development zone into an international economic development zone is not a qualified business, unless the business:

(1)(i) increases full-time employment in the first full year of operation within the international economic development zone by at least 20 percent measured relative to the operations that were relocated and maintains the required level of employment for each year that tax incentives under section 469.324 are claimed; or

(ii) makes a capital investment in the property located within a zone equal to at least ten percent of the gross revenues of the operations that were relocated in the immediately preceding taxable year; and

(2) enters a binding written agreement with the foreign trade zone authority that:

(i) pledges that the business will meet the requirements of clause (1);

(ii) provides for repayment of all tax benefits enumerated under section 469.324 to the business under the procedures in section 469.326, if the requirements of clause (1) are not met for the taxable year or for taxes payable during a year in which the requirements were not met; and

(iii) contains any other terms the foreign trade zone authority determines appropriate.

Clause (1) of this paragraph does not apply to a freight forwarder.

Subd. 7. [REGIONAL DISTRIBUTION CENTER.] A "regional distribution center" is a distribution center developed within a foreign trade zone. The regional distribution center must have as its primary purpose to facilitate gathering of freight for the purpose of centralizing the functions necessary for the shipment of freight in international commerce, including, but not limited to, security and customs functions.

Subd. 8. [RELOCATE.] (a) "Relocate" means that a trade or business:

(1) ceases one or more operations or functions at another location in Minnesota and begins performing substantially the same operations or functions at a location in an international economic development zone; or

(2) reduces employment at another location in Minnesota during a period starting one year before and ending one year after it begins operations in an international economic development zone and its employees in the international economic development zone are engaged in the same line of business as the employees at the location where it reduced employment.

(b) "Relocate" does not include an expansion by a business that establishes a new facility that does not replace or supplant an existing operation or employment, in whole or in part.

(c) "Trade or business" includes any business entity that is substantially similar in operation or ownership to the business entity seeking to be a qualified business.

Subd. 9. [INTERNATIONAL ECONOMIC DEVELOPMENT ZONE PAYROLL FACTOR.] "International economic development zone payroll factor" or "international economic development zone payroll" is that portion of the payroll factor under section 290.191 that represents:

(1) wages or salaries paid to an individual for services performed in an international economic development zone; or

(2) wages or salaries paid to individuals working from offices within an international economic development zone, if their employment requires them to work outside the zone and the work is incidental to the work performed by the individual within the zone.

Subd. 10. [FREIGHT FORWARDER.] "Freight forwarder" is a business that, for compensation, ensures that goods produced or sold by another business move from point of origin to point of destination.

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

Sec. 6. [469.322] [DESIGNATION OF INTERNATIONAL ECONOMIC DEVELOPMENT ZONE.]

(a) An area designated as a foreign trade zone may be designated by the foreign trade zone authority as an international economic development zone if within the zone a regional distribution center is being developed pursuant to section 469.323. The zone must consist of contiguous area of not less than 500 acres and not more than 1,000 acres. The designation authority under this section is limited to one zone.

(b) In making the designation, the foreign trade zone authority, in consultation with the Minnesota Department of Transportation and the Metropolitan Council, shall consider access to major transportation routes, consistency with current state transportation and air cargo planning, adequacy of the size of the site, access to airport facilities, present and future capacity at the designated airport, the capability to meet integrated present and future air cargo, security, and inspection services, and access to other infrastructure and financial incentives. The border of the international economic development zone must be no more than 60 miles distant or 90 minutes drive time from the border of the Minneapolis-St. Paul International Airport. The county in which the zone is located must be a member of the foreign trade zone authority.

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

Sec. 7. [469.323] [FOREIGN TRADE ZONE AUTHORITY POWERS.]

Subdivision 1. [DEVELOPMENT OF REGIONAL DISTRIBUTION CENTER.] The foreign trade zone authority is responsible for creating a development plan for the regional distribution center. The regional distribution center must be developed with the purpose of expanding, on a regional basis, international distribution capacity and capability. The foreign trade zone authority shall consult with municipalities that have indicated to the authority an interest in locating the international economic development zone within their boundaries, as well as interested businesses, potential financiers, and appropriate state and federal agencies.

Subd. 2. [PORT AUTHORITY POWERS.] The governing body of the foreign trade zone authority may establish a port authority that has the same powers as a port authority established under section 469.049. If the foreign trade zone authority establishes a port authority, the governing body of the foreign trade zone authority may exercise all powers granted to a city by sections 469.048 to 469.068, except it may not impose or request imposition of a property tax levy under section 469.053 by any city.

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

Sec. 8. [469.324] [TAX INCENTIVES IN INTERNATIONAL ECONOMIC DEVELOPMENT ZONE.]

Subdivision 1. [AVAILABILITY.] Qualified businesses that operate in an international economic development zone, individuals who invest in a regional distribution center or qualified businesses that operate in an international economic development zone, and property located in an international economic development zone qualify for:

(1) exemption from the state sales and use tax and any local sales and use taxes on qualifying purchases as provided in section 297A.68, subdivision 41;

(2) exemption from the property tax as provided in section 272.02, subdivision 73;

(3) the jobs credit allowed under section 469.325;

(4) the corporate franchise tax exemption under section 290.191, subdivision 13.

Subd. 2. [DURATION.] (a) Except as provided in paragraph (b), the jobs credit described in subdivision 1, clause (3), and the corporate franchise exemption under subdivision 1, clause (4), is available for no more than eight consecutive taxable years for any taxpayer. The sales and use tax exemption described in subdivision 1, clause (1), is available for each taxpayer that claims it for taxes otherwise payable on transactions during a period of eight years from the date when the first exemption is claimed by that taxpayer. The property tax exemption described under subdivision 1, clause (2), is available for any parcel of property for eight consecutive taxable years. No incentives described in subdivision 1, clauses (1) to (4), are available after December 31, 2020.

(b) For taxpayers that are freight forwarders, the durations provided under paragraph (a) are reduced to four years.

Sec. 9. [469.325] [JOBS CREDIT.]

Subdivision 1. [CREDIT ALLOWED.] A qualified business is allowed a credit against the taxes imposed under chapter 290. The credit equals seven percent of the:

(1) lesser of:

(i) zone payroll for the taxable year, less the zone payroll for the base year; or

(ii) total Minnesota payroll for the taxable year, less total Minnesota payroll for the base year; minus

(2) \$30,000 multiplied by the number of full-time equivalent employees that the qualified business employs in the international economic development zone for the taxable year, minus the number of full-time equivalent employees the business employed in the zone in the base year, but not less than zero.

Subd. 2. [DEFINITIONS.] (a) For purposes of this section, the following terms have the meanings given.

(b) "Base year" means the taxable year beginning during the calendar year prior to the calendar year in which the zone designation took effect.

(c) "Full-time equivalent employees" means the equivalent of annualized expected hours of work equal to 2,080 hours.

(d) "Minnesota payroll" means the wages or salaries attributed to Minnesota under section 290.191, subdivision 12, for the qualified business or the unitary business of which the qualified business is a part, whichever is greater.

(e) "Zone payroll" means wages or salaries used to determine the zone payroll factor for the qualified business, less the amount of compensation attributable to any employee that exceeds \$100,000.

Subd. 3. [INFLATION ADJUSTMENT.] For taxable years beginning after December 31, 2005, the dollar amounts in subdivision 1, clause (2), and subdivision 2, paragraph (e), are annually adjusted for inflation. The commissioner of revenue shall adjust the amounts by the percentage determined under section 290.06, subdivision 2d, for the taxable year.

Subd. 4. [REFUNDABLE.] If the amount of the credit exceeds the liability for tax under chapter 290, the commissioner of revenue shall refund the excess to the qualified business.

Subd. 5. [APPROPRIATION.] An amount sufficient to pay the refunds authorized by this section is appropriated to the commissioner of revenue from the general fund.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004.

Sec. 10. [469.326] [REPAYMENT OF TAX BENEFITS.]

Subdivision 1. [REPAYMENT OBLIGATION.] A person must repay the amount of the tax reduction received under section 469.324, subdivision 1, clauses (1) and (2), or a refund received under section 469.325, during the two years immediately before it ceased to operate in the zone, if the person ceased to operate its facility located within the zone or otherwise ceases to be or is not a qualified business.

Subd. 2. [DISPOSITION OF REPAYMENT.] The repayment must be paid to the state to the extent it represents a state tax reduction and to the county to the extent it represents a property tax reduction. Any amount repaid to the state must be deposited in the general fund. Any amount repaid to the county for the property tax exemption must be distributed to the local governments with authority to levy taxes in the zone in the same manner provided for distribution of payment of delinquent property taxes. Any repayment of local sales or use taxes must be repaid to the jurisdiction imposing the local sales or use tax.

Subd. 3. [REPAYMENT PROCEDURES.] (a) For the repayment of taxes imposed under chapter 290 or 297A or local taxes collected under section 297A.99, a person must file an amended return with the commissioner of revenue and pay any taxes required to be repaid within 30 days after ceasing to be a qualified business. The amount required to be repaid is determined by calculating the tax for the period for which repayment is required without regard to the tax reductions allowed under section 469.324.

(b) For the repayment of property taxes, the county auditor shall prepare a tax statement for the person, applying the applicable tax extension rates for each payable year and provide a copy to the business. The person must pay the taxes to the county treasurer within 30 days after receipt of the tax statement. The taxpayer may appeal the valuation and determination of the property tax to the tax court within 30 days after receipt of the tax statement.

(c) The provisions of chapters 270 and 289A relating to the commissioner of revenue's authority to audit, assess, and collect the tax and to hear appeals apply to the repayment required under paragraph (a). The commissioner may impose civil penalties as provided in chapter 289A, and the additional tax and penalties are subject to interest at the rate provided in section 270.75, from 30 days after ceasing to do business in the zone until the date the tax is paid.

(d) If a property tax is not repaid under paragraph (b), the county treasurer shall add the amount required to be repaid to the property taxes assessed against the property for payment in the year following the year in which the treasurer discovers that the person ceased to operate in the international economic development zone.

(e) For determining the tax required to be repaid, a tax reduction is deemed to have been received on the date that the tax would have been due if the person had not been entitled to the tax reduction.

(f) The commissioner of revenue may assess the repayment of taxes under paragraph (c) at any time within two years after the person ceases to be a qualified business, or within any period of limitations for the assessment of tax under section 289A.38, whichever is later.

Subd. 4. [WAIVER AUTHORITY.] The commissioner may waive all or part of a repayment, if the commissioner of revenue, in consultation with the foreign trade zone authority and appropriate officials from the state and local government units, determines that requiring repayment of the tax is not in the best interest of the state or local government and the business ceased operating as a result of circumstances beyond its control, including, but not limited to:

(1) a natural disaster;

(2) unforeseen industry trends; or

(3) loss of a major supplier or customer.

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

Sec. 11. [469.327] [REPORTING REQUIREMENTS.]

Before designation of an international economic development zone under section 469.322, the foreign trade zone authority shall establish performance goals for the zone. These goals must set out, at a minimum, the amount of investment, the number of jobs, and the amount of freight handled expected to be attained at the end of three, five, and 10 year periods by the zone. The authority must annually report to the commissioner of the Department of Employment and Economic Development on its progress in attaining these goals.

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

ARTICLE 8

DEPARTMENT OF REVENUE POLICY PROVISIONS

Section 1. Minnesota Statutes 2002, section 16D.10, is amended to read:

16D.10 [CASE REVIEWER.]

Subdivision 1. [DUTIES.] The commissioner shall make a case reviewer available to debtors. The reviewer must be available to answer a debtor's questions concerning the collection process and to review the collection activity taken. If the reviewer reasonably believes that the particular action being taken is unreasonable or unfair, the reviewer may make recommendations to the commissioner in regard to the collection action.

Subd. 2. [AUTHORITY TO ISSUE DEBTOR ASSISTANCE ORDER.] On application filed by a debtor with the case reviewer, in the form, manner, and in the time prescribed by the commissioner, and after thorough investigation, the case reviewer may issue a debtor assistance order if, in the determination of the case reviewer, the manner in which the state debt collection laws are being administered is creating or will create an unjust and inequitable result for the debtor. Debtor assistance orders are governed by the provisions relating to taxpayer assistance orders under section 270.273.

Subd. 3. [TRANSFER OF DUTIES TO TAXPAYER RIGHTS ADVOCATE.] All duties and authority of the case reviewer under subdivisions 1 and 2 are transferred to the taxpayer rights advocate.

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

Sec. 2. Minnesota Statutes 2002, section 270.02, subdivision 3, is amended to read:

Subd. 3. [POWERS, ORGANIZATION, ASSISTANTS.] Subject to the provisions of this chapter and other applicable laws the commissioner shall have power to organize the department with such divisions and other agencies as the commissioner deems necessary and to appoint one deputy commissioner, a department secretary, directors of divisions, and such other officers, employees, and agents as the commissioner may deem necessary to discharge the functions of the department, define the duties of such officers, employees, and agents, and delegate to them any of the commissioner's powers or duties, subject to the commissioner's control and under such conditions as the commissioner may prescribe. Appointments to exercise delegated power to sign documents which require the signature of the commissioner or a delegate by law shall be by written order filed with the secretary of state. The delegations of authority granted by the commissioner remain in effect until revoked by the commissioner or a successor commissioner.

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

Sec. 3. Minnesota Statutes 2003 Supplement, section 270.06, is amended to read:

270.06 [POWERS AND DUTIES.]

The commissioner of revenue shall:

(1) have and exercise general supervision over the administration of the assessment and taxation laws of the state, over assessors, town, county, and city boards of review and equalization, and all other assessing officers in the performance of their duties, to the end that all assessments of property be made relatively just and equal in compliance with the laws of the state;

(2) confer with, advise, and give the necessary instructions and directions to local assessors and local boards of review throughout the state as to their duties under the laws of the state;

(3) direct proceedings, actions, and prosecutions to be instituted to enforce the laws relating to the liability and punishment of public officers and officers and agents of corporations for failure or negligence to comply with the provisions of the laws of this state governing returns of assessment and taxation of property, and cause complaints to be made against local assessors, members of boards of equalization, members of boards of review, or any other assessing or taxing officer, to the proper authority, for their removal from office for misconduct or negligence of duty;

(4) require county attorneys to assist in the commencement of prosecutions in actions or proceedings for removal, forfeiture and punishment for violation of the laws of this state in respect to the assessment and taxation of property in their respective districts or counties;

(5) require town, city, county, and other public officers to report information as to the assessment of property, collection of taxes received from licenses and other sources, and such other information as may be needful in the work of the Department of Revenue, in such form and upon such blanks as the commissioner may prescribe;

(6) require individuals, copartnerships, companies, associations, and corporations to furnish information concerning their capital, funded or other debt, current assets and liabilities, earnings, operating expenses, taxes, as well as all other statements now required by law for taxation purposes;

(7) subpoena witnesses, at a time and place reasonable under the circumstances, to appear and give testimony, and to produce books, records, papers and documents for inspection and copying relating to any matter which the commissioner may have authority to investigate or determine;

(8) issue a subpoena which does not identify the person or persons with respect to whose liability the subpoena is issued, but only if (a) the subpoena relates to the investigation of a particular person or ascertainable group or class of persons, (b) there is a reasonable basis for believing that such person or group or class of persons may fail or may have failed to comply with any law administered by the commissioner, (c) the information sought to be obtained from the examination of the records (and the identity of the person or persons with respect to whose liability the subpoena is issued) is not readily available from other sources, (d) the subpoena is clear and specific as to the information sought to be obtained, and (e) the information sought to be obtained is limited solely to the scope of the investigation. Provided further that the party served with a subpoena which does not identify the person or persons with respect to whose tax liability the subpoena is issued shall have the right, within 20 days after service of the subpoena, to petition the district court for the judicial district in which lies the county in which that party is located for a determination as to whether the commissioner of revenue has complied with all the requirements in (a) to (e), and thus, whether the subpoena is enforceable. If no such petition is made by the party served within the time prescribed, the subpoena shall have the force and effect of a court order;

(9) cause the deposition of witnesses residing within or without the state, or absent therefrom, to be taken, upon notice to the interested party, if any, in like manner that depositions of witnesses are taken in civil actions in the district court, in any matter which the commissioner may have authority to investigate or determine;

(10) investigate the tax laws of other states and countries and to formulate and submit to the legislature such legislation as the commissioner may deem expedient to prevent evasions of assessment and taxing laws, and secure just and equal taxation and improvement in the system of assessment and taxation in this state;

(11) consult and confer with the governor upon the subject of taxation, the administration of the laws in regard thereto, and the progress of the work of the Department of Revenue, and furnish the governor, from time to time, such assistance and information as the governor may require relating to tax matters;

(12) transmit to the governor, on or before the third Monday in December of each even-numbered year, and to each member of the legislature, on or before November 15 of each even-numbered year, the report of the Department of Revenue for the preceding years, showing all the taxable property in the state and the value of the same, in tabulated form;

(13) inquire into the methods of assessment and taxation and ascertain whether the assessors faithfully discharge their duties, particularly as to their compliance with the laws requiring the assessment of all property not exempt from taxation;

(14) administer and enforce the assessment and collection of state taxes and fees, including the use of any remedy available to nongovernmental creditors, and, from time to time, make, publish, and distribute rules for the administration and enforcement of laws administered by the commissioner and state tax laws. The rules have the force of law;

(15) prepare blank forms for the returns required by state tax law and distribute them throughout the state, furnishing them subject to charge on application;

(16) prescribe rules governing the qualification and practice of agents, attorneys, or other persons representing taxpayers before the commissioner. The rules may require that those persons, agents, and attorneys show that they are of good character and in good repute, have the necessary qualifications to give taxpayers valuable services, and are otherwise competent to advise and assist taxpayers in the presentation of their case before being recognized as representatives of taxpayers. After due notice and opportunity for hearing, the commissioner may suspend and bar from further practice before the commissioner any person, agent, or attorney who is shown to be incompetent or disreputable, who refuses to comply with the rules, or who with intent to defraud, willfully or knowingly deceives, misleads, or threatens a taxpayer or prospective taxpayer, by words, circular, letter, or by advertisement. This clause does not curtail the rights of individuals to appear in their own behalf or partners or corporations' officers to appear in behalf of their respective partnerships or corporations;

(17) appoint agents as the commissioner considers necessary to make examinations and determinations. The agents have the rights and powers conferred on the commissioner to subpoena, examine, and copy books, records, papers, or memoranda, subpoena witnesses, administer oaths and affirmations, and take testimony. In addition to administrative subpoenas of the commissioner and the agents, upon demand of the commissioner or an agent, the court administrator of any district court shall issue a subpoena for the attendance of a witness or the production of books, papers, records, or memoranda before the agent for inspection and copying. Disobedience of a court administrator's subpoena shall be punished by the district court of the district in which the subpoena is issued, or in the case of a subpoena issued by the commissioner or an agent, by the district court of the district in which the party served with the subpoena is located, in the same manner as contempt of the district court;

(18) appoint and employ additional help, purchase supplies or materials, or incur other expenditures in the enforcement of state tax laws as considered necessary. The salaries of all agents and employees provided for in this chapter shall be fixed by the appointing authority, subject to the approval of the commissioner of administration;

(19) execute and administer any agreement with the secretary of the treasury of the United States or a representative of another state regarding the exchange of information and administration of the tax laws;

(20) authorize the use of unmarked motor vehicles to conduct seizures or criminal investigations pursuant to the commissioner's authority; ~~and~~

(21) exercise other powers and perform other duties required of or imposed upon the commissioner of revenue by law; and

(22) negotiate with other member states as to the amount of the monetary allowance for sellers and certified service providers who purchase certified software for sales tax collection as described in the streamlined sales tax agreement.

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

Sec. 4. [270.0611] [SUFFICIENCY OF NOTICE OF DETERMINATION OR ACTION OF COMMISSIONER OF REVENUE.]

When a method of notification of a written determination or action of the commissioner is not specifically provided for by law, notice of the determination or action sent postage prepaid by United States mail to the taxpayer or other person affected by the determination or action at the taxpayer's or person's last known address is sufficient. If the taxpayer or person being notified is deceased or is under a legal disability, or if a corporation being notified has terminated its existence, notice to the last known address of the taxpayer, person, or corporation is sufficient, unless the department has been provided with a new address by a party authorized to receive notices from the commissioner.

[EFFECTIVE DATE.] This section is effective for notices sent on or after the day following final enactment.

Sec. 5. Minnesota Statutes 2002, section 270.69, subdivision 4, is amended to read:

Subd. 4. [PERIOD OF LIMITATIONS.] The lien imposed by this section shall, notwithstanding any other provision of law to the contrary, be enforceable from the time the lien arises and for ten years from the date of filing the notice of lien, which must be filed by the commissioner within five years after the date of assessment of the tax or final administrative or judicial determination of the assessment. A notice of lien filed in one county may be transcribed to the secretary of state or to any other county within ten years after the date of its filing, but the transcription shall not extend the period during which the lien is enforceable. A notice of lien may be renewed by the commissioner before the expiration of the ten-year period for an additional ten years. The taxpayer must receive written notice of the renewal.

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

Sec. 6. Minnesota Statutes 2002, 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:

(1) 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, 295, 297A, and 297H, 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; and

(2) section 273.1315.

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

Sec. 7. Minnesota Statutes 2003 Supplement, section 270B.12, subdivision 13, is amended to read:

Subd. 13. [COUNTY ASSESSORS; CLASS 1B HOMESTEADS.] The commissioner may disclose to a county assessor, and to the assessor's designated agents or employees, a listing of parcels of property qualifying for the class 1b property tax classification under section 273.13, subdivision 22, and the names and addresses of qualified applicants.

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

Sec. 8. Minnesota Statutes 2003 Supplement, section 272.02, subdivision 65, is amended to read:

Subd. 65. [BIOTECHNOLOGY AND HEALTH SCIENCES INDUSTRY ZONE PROPERTY.] (a) Improvements to real property, and personal property, classified under section 273.13, subdivision 24, and located within a biotechnology and health sciences industry zone are exempt from ad valorem taxes levied under chapter 275, as provided in this subdivision.

(b) For property to qualify for exemption under paragraph (a), the occupant must be a qualified business, as defined in section 469.330.

(c) The exemption applies beginning for the first assessment year after designation of the biotechnology and health sciences industry zone by the commissioner of employment and economic development. The exemption applies to each assessment year that begins during the duration of the biotechnology and health sciences industry zone and to property occupied by July 1 of the assessment year by a qualified business. This exemption does not apply to:

(1) a levy under section 475.61 or similar levy provisions under any other law to pay general obligation bonds; or

(2) a levy under section 126C.17, if the levy was approved by the voters before the designation of the biotechnology and health sciences industry zone.

(d) The exemption does not apply to taxes imposed by a city, town, or county, unless the governing body adopts a resolution granting the exemption. A city, town, or county may provide a complete property tax exemption, partial property tax exemption, or no property tax exemption to qualified businesses in the biotechnology and health sciences industry zone. "City" includes a statutory or home rule charter city.

(e) For property located in a tax increment financing district, the county shall not adjust the original net tax capacity of the district under section 469.177, subdivision 1, paragraph (a), upon the expiration of an exemption under this subdivision.

[EFFECTIVE DATE.] This section is effective beginning for property taxes assessed in 2004, payable in 2005.

Sec. 9. Minnesota Statutes 2002, section 289A.12, subdivision 3, is amended to read:

Subd. 3. [RETURNS OR REPORTS BY PARTNERSHIPS, FIDUCIARIES, AND S CORPORATIONS.] (a) Partnerships must file a return with the commissioner for each taxable year. The return must conform to the requirements of section 290.311, and must include the names and addresses of the partners entitled to a distributive share in their taxable net income, gain, loss, or credit, and the amount of the distributive share to which each is entitled. A partnership required to file a return for a partnership taxable year must furnish a copy of the information required to be shown on the return to a person who is a partner at any time during the taxable year, on or before the day on which the return for the taxable year was filed. A partnership with more than 100 partners that is required to file a federal partnership return electronically under Code of Federal Regulations, title 26, section 301.6011-3 (2003), must also file the return due under this section electronically. If a return required to be filed electronically is filed on paper, the return is still valid but a penalty of \$50 for each partner over 100 partners is imposed for failing to file electronically. The commissioner may waive the penalty if the partnership can demonstrate that filing the return electronically creates a hardship.

(b) The fiduciary of an estate or trust making the return required to be filed under section 289A.08, subdivision 2, for a taxable year must give a beneficiary who receives a distribution from the estate or trust with respect to the taxable year or to whom any item with respect to the taxable year is allocated, a statement containing the information required to be shown on the return, on or before the date on which the return was filed.

(c) An S corporation must file a return with the commissioner for a taxable year during which an election under section 290.9725 is in effect, stating specifically the names and addresses of the persons owning stock in the corporation at any time during the taxable year, the number of shares of stock owned by a shareholder at all times during the taxable year, the shareholder's pro rata share of each item of the corporation for the taxable year, and other information the commissioner requires. An S corporation required to file a return under this paragraph for any taxable year must furnish a copy of the information shown on the return to the person who is a shareholder at any time during the taxable year, on or before the day on which the return for the taxable year was filed.

(d) The partnership or S corporation return must be signed by someone designated by the partnership or S corporation.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2003.

Sec. 10. Minnesota Statutes 2002, 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 qualifies for relief from a liability attributable to an underpayment under section 6015(b) of the Internal Revenue Code is relieved of the state income tax liability on the 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.

(c) A request for calculation of separate liability pursuant to paragraph (b) for taxes reported on a return must be made within six years after the due date of the return. For calculation of separate liability for taxes assessed by the commissioner under section 289A.35 or 289A.37, the request must be made within six years after the date of assessment. The commissioner is not required to calculate separate liability if the remaining unpaid liability for which recalculation is requested is \$100 or less.

[EFFECTIVE DATE.] This section is effective for requests for relief made on or after the day following final enactment.

Sec. 11. Minnesota Statutes 2002, section 289A.56, is amended by adding a subdivision to read:

Subd. 7. [BIOTECHNOLOGY AND BORDER CITY ZONE REFUNDS.] Notwithstanding subdivision 3, for refunds payable under sections 297A.68, subdivision 38, and 469.1734, subdivision 6, interest is computed from 90 days after the refund claim is filed with the commissioner.

[EFFECTIVE DATE.] This section is effective for refund claims filed on or after July 1, 2004.

Sec. 12. Minnesota Statutes 2003 Supplement, section 290.01, subdivision 19d, is amended to read:

Subd. 19d. [CORPORATIONS; MODIFICATIONS DECREASING FEDERAL TAXABLE INCOME.] For corporations, there shall be subtracted from federal taxable income after the increases provided in subdivision 19c:

(1) the amount of foreign dividend gross-up added to gross income for federal income tax purposes under section 78 of the Internal Revenue Code;

(2) the amount of salary expense not allowed for federal income tax purposes due to claiming the federal jobs credit under section 51 of the Internal Revenue Code;

(3) any dividend (not including any distribution in liquidation) paid within the taxable year by a national or state bank to the United States, or to any instrumentality of the United States exempt from federal income taxes, on the preferred stock of the bank owned by the United States or the instrumentality;

(4) amounts disallowed for intangible drilling costs due to differences between this chapter and the Internal Revenue Code in taxable years beginning before January 1, 1987, as follows:

(i) to the extent the disallowed costs are represented by physical property, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7, subject to the modifications contained in subdivision 19e; and

(ii) to the extent the disallowed costs are not represented by physical property, an amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section 290.09, subdivision 8;

(5) the deduction for capital losses pursuant to sections 1211 and 1212 of the Internal Revenue Code, except that:

(i) for capital losses incurred in taxable years beginning after December 31, 1986, capital loss carrybacks shall not be allowed;

(ii) for capital losses incurred in taxable years beginning after December 31, 1986, a capital loss carryover to each of the 15 taxable years succeeding the loss year shall be allowed;

(iii) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryback to each of the three taxable years preceding the loss year, subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed; and

(iv) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryover to each of the five taxable years succeeding the loss year to the extent such loss was not used in a prior taxable year and subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed;

(6) an amount for interest and expenses relating to income not taxable for federal income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or 291 of the Internal Revenue Code in computing federal taxable income;

(7) in the case of mines, oil and gas wells, other natural deposits, and timber for which percentage depletion was disallowed pursuant to subdivision 19c, clause (11), a reasonable allowance for depletion based on actual cost. In the case of leases the deduction must be apportioned between the lessor and lessee in accordance with rules prescribed by the commissioner. In the case of property held in trust, the allowable deduction must be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the trust, or if there is no provision in the instrument, on the basis of the trust's income allocable to each;

(8) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7;

(9) amounts included in federal taxable income that are due to refunds of income, excise, or franchise taxes based on net income or related minimum taxes paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or a foreign country or possession of the United States to the extent that the taxes were added to federal taxable income under section 290.01, subdivision 19c, clause (1), in a prior taxable year;

(10) 80 percent of royalties, fees, or other like income accrued or received from a foreign operating corporation or a foreign corporation which is part of the same unitary business as the receiving corporation;

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

(12) the amount of handicap access expenditures in the taxable year which are not allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue Code;

(13) the amount of qualified research expenses not allowed for federal income tax purposes under section 280C(c) of the Internal Revenue Code, but only to the extent that the amount exceeds the amount of the credit allowed under section 290.068 or 469.339;

(14) the amount of salary expenses not allowed for federal income tax purposes due to claiming the Indian employment credit under section 45A(a) of the Internal Revenue Code;

(15) the amount of any refund of environmental taxes paid under section 59A of the Internal Revenue Code;

(16) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code;

(17) for a corporation whose foreign sales corporation, as defined in section 922 of the Internal Revenue Code, constituted a foreign operating corporation during any taxable year ending before January 1, 1995, and a return was filed by August 15, 1996, claiming the deduction under section 290.21, subdivision 4, for income received from the foreign operating corporation, an amount equal to 1.23 multiplied by the amount of income excluded under section 114 of the Internal Revenue Code, provided the income is not income of a foreign operating company;

(18) any decrease in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of section 614 of Public Law 107-147; and

(19) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (16), an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19c, clause (16). The resulting delayed depreciation cannot be less than zero.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2003.

Sec. 13. Minnesota Statutes 2002, section 290.9705, subdivision 1, is amended to read:

Subdivision 1. [WITHHOLDING OF PAYMENTS TO OUT-OF-STATE CONTRACTORS.] (a) In this section, "person" means a person, corporation, or cooperative, the state of Minnesota and its political subdivisions, and a city, county, and school district in Minnesota.

(b) A person who in the regular course of business is hiring, contracting, or having a contract with a nonresident person or foreign corporation, as defined in Minnesota Statutes 1986, section 290.01, subdivision 5, to perform construction work in Minnesota, shall deduct and withhold eight percent of ~~every payment~~ cumulative calendar year payments to the contractor ~~if the contract exceeds or can reasonably be expected to exceed \$100,000~~ which exceed \$50,000.

[EFFECTIVE DATE.] This section is effective for payments made after December 31, 2004.

Sec. 14. Minnesota Statutes 2003 Supplement, section 290C.10, is amended to read:

290C.10 [WITHDRAWAL PROCEDURES.]

An approved claimant under the sustainable forest incentive program for a minimum of four years may notify the commissioner of the intent to terminate enrollment. Within 90 days of receipt of notice to terminate enrollment, the commissioner shall inform the claimant in writing, acknowledging receipt of this notice and indicating the effective date of termination from the sustainable forest incentive program. Termination of enrollment in the sustainable forest incentive program occurs on January 1 of the fifth calendar year that begins after receipt by the commissioner of the termination notice. After the commissioner issues an effective date of termination, a claimant wishing to continue the land's enrollment in the sustainable forest incentive program beyond the termination date must apply for enrollment as prescribed in section 290C.04. A claimant who withdraws a parcel of land from this program may not reenroll the parcel for a period of three years. Within 90 days after the termination date, the commissioner shall execute and acknowledge a document releasing the land from the covenant required under this chapter. The document must be mailed to the claimant and is entitled to be recorded. The commissioner may allow early withdrawal from the Sustainable Forest Incentive Act without penalty ~~in cases of condemnation~~ when the state of Minnesota, any local government unit, or any other entity which has the right of eminent domain acquires title or possession to the land for a public purpose notwithstanding the provisions of this section. In the case of such acquisition, the commissioner shall execute and acknowledge a document releasing the land acquired by the state, local government unit, or other entity from the covenant. All other enrolled land must remain in the program.

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

Sec. 15. Minnesota Statutes 2002, section 297A.995, subdivision 6, is amended to read:

Subd. 6. [AGREEMENT REQUIREMENTS.] The commissioner of revenue shall not enter into the agreement unless the agreement requires each state to abide by the following requirements:

(a) [UNIFORM STATE RATE.] The agreement must set restrictions to achieve more uniform state rates through the following:

- (1) limiting the number of state rates;
- (2) eliminating maximums on the amount of state tax that is due on a transaction; and
- (3) eliminating thresholds on the application of state tax.

(b) [UNIFORM STANDARDS.] The agreement must establish uniform standards for the following:

- (1) the sourcing of transactions to taxing jurisdictions;
- (2) the administration of exempt sales;
- (3) the allowances a seller can take for bad debts; and
- (4) sales and use tax returns and remittances.

(c) [UNIFORM DEFINITIONS.] The agreement must require states to develop and adopt uniform definitions of sales and use tax terms. The definitions must enable a state to preserve its ability to make policy choices not inconsistent with the uniform definitions.

(d) [CENTRAL REGISTRATION.] The agreement must provide a central, electronic registration system that allows a seller to register to collect and remit sales and use taxes for all signatory states.

(e) [NO NEXUS ATTRIBUTION.] The agreement must provide that registration with the central registration system and the collection of sales and use taxes in the signatory states will not be used as a factor in determining whether the seller has nexus with a state for any tax.

(f) [LOCAL SALES AND USE TAXES.] The agreement must provide for reduction of the burdens of complying with local sales and use taxes through the following:

(1) restricting and eliminating variances between the state and local tax bases;

(2) requiring states to administer any sales and use taxes levied by local jurisdictions within the state so that sellers collecting and remitting these taxes will not have to register or file returns with, remit funds to, or be subject to independent audits from local taxing jurisdictions;

(3) restricting the frequency of changes in the local sales and use tax rates and setting effective dates for the application of local jurisdictional boundary changes to local sales and use taxes; and

(4) providing notice of changes in local sales and use tax rates and of changes in the boundaries of local taxing jurisdictions.

(g) [MONETARY ALLOWANCES.] The agreement must outline any monetary allowances that are to be provided by the states to sellers or certified service providers. The allowances must be funded from the money collected by the seller or certified service provider and must be subtracted by the seller or certified service provider before remitting the tax collected to the Department of Revenue.

(h) [STATE COMPLIANCE.] The agreement must require each state to certify compliance with the terms of the agreement prior to joining and to maintain compliance, under the laws of the member state, with all provisions of the agreement while a member.

(i) [CONSUMER PRIVACY.] The agreement must require each state to adopt a uniform policy for certified service providers that protects the privacy of consumers and maintains the confidentiality of tax information.

(j) [ADVISORY COUNCILS.] The agreement must provide for the appointment of an advisory council of private sector representatives and an advisory council of nonmember state representatives to consult with in the administration of the agreement.

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

Sec. 16. Minnesota Statutes 2002, section 469.1734, subdivision 6, is amended to read:

Subd. 6. [SALES TAX EXEMPTION; EQUIPMENT; CONSTRUCTION MATERIALS.] (a) The gross receipts from the sale of machinery and equipment and repair parts are exempt from taxation under chapter 297A, if the machinery and equipment:

(1) are used in connection with a trade or business;

(2) are placed in service in a city that is authorized to designate a zone under section 469.1731, regardless of whether the machinery and equipment are used in a zone; and

(3) have a useful life of 12 months or more.

(b) The gross receipts from the sale of construction materials are exempt, if they are used to construct:

(1) a facility for use in a trade or business located in a city that is authorized to designate a zone under section 469.1731, regardless of whether the facility is located in a zone; or

(2) housing that is located in a zone.

The exemptions under this paragraph apply regardless of whether the purchase is made by the owner, the user, or a contractor.

(c) A purchaser may claim an exemption under this subdivision for tax on the purchases up to, but not exceeding:

(1) the amount of the tax credit certificates received from the city, less

(2) any tax credit certificates used under the provisions of subdivisions 4 and 5, and section 469.1732, subdivision 2.

(d) The tax on sales of items exempted under this subdivision shall be imposed and collected as if the applicable rate under section 297A.62 applied. Upon application by the purchaser, on forms prescribed by the commissioner, a refund equal to the tax paid shall be paid to the purchaser. The application must include sufficient information to permit the commissioner to verify the sales tax paid and the eligibility of the claimant to receive the credit. No more than two applications for refunds may be filed under this subdivision in a calendar year. The provisions of section 289A.40 apply to the refunds payable under this subdivision. There is annually appropriated to the commissioner of revenue the amount required to make the refunds, which must be deducted from the amount of the city's allocation under section 469.169, subdivision 12, that remains available and its limitation under section 469.1735. The amount to be refunded shall bear interest at the rate in section 270.76 from 90 days after the date the refund claim is filed with the commissioner.

[EFFECTIVE DATE.] This section is effective for refund claims filed on or after July 1, 2004.

Sec. 17. Minnesota Statutes 2003 Supplement, section 469.310, subdivision 11, is amended to read:

Subd. 11. [QUALIFIED BUSINESS.] (a) "Qualified business" means a person carrying on a trade or business at a place of business located within a job opportunity building zone. A person is a qualified business only on those parcels of land for which it has entered into a business subsidy agreement, as required under section 469.313, with the appropriate local government unit in which the parcels are located.

(b) A person that relocates a trade or business from outside a job opportunity building zone into a zone is not a qualified business, unless the business:

(1)(i) increases full-time employment in the first full year of operation within the job opportunity building zone by at least 20 percent measured relative to the operations that were relocated and maintains the required level of employment for each year the zone designation applies; or

(ii) makes a capital investment in the property located within a zone equivalent to ten percent of the gross revenues of operation that were relocated in the immediately preceding taxable year; and

(2) enters a binding written agreement with the commissioner that:

(i) pledges the business will meet the requirements of clause (1);

(ii) provides for repayment of all tax benefits enumerated under section 469.315 to the business under the procedures in section 469.319, if the requirements of clause (1) are not met for the taxable year or for taxes payable during the year in which the requirements were not met; and

(iii) contains any other terms the commissioner determines appropriate.

(c) A business is not a qualified business if, at its location or locations in the zone, the business is primarily engaged in making retail sales to purchasers who are physically present at the business's zone location.

[EFFECTIVE DATE.] The amendment to paragraph (a) of this section is effective retroactively from June 9, 2003. Paragraph (c) of this section is effective the day following final enactment and applies to any business entering a business subsidy agreement for a job opportunity development zone after that date.

Sec. 18. Minnesota Statutes 2003 Supplement, section 469.330, subdivision 11, is amended to read:

Subd. 11. [QUALIFIED BUSINESS.] (a) "Qualified business" means a person carrying on a trade or business at a biotechnology and health sciences industry facility located within a biotechnology and health sciences industry zone. A person is a qualified business only on those parcels of land for which it has entered into a business subsidy agreement, as required under section 469.333, with the appropriate local government unit in which the parcels are located.

(b) A person that relocates a biotechnology and health sciences industry facility from outside a biotechnology and health sciences industry zone into a zone is not a qualified business, unless the business:

(1)(i) increases full-time employment in the first full year of operation within the biotechnology and health sciences industry zone by at least 20 percent measured relative to the operations that were relocated and maintains the required level of employment for each year the zone designation applies; or

(ii) makes a capital investment in the property located within a zone equivalent to ten percent of the gross revenues of operation that were relocated in the immediately preceding taxable year; and

(2) enters a binding written agreement with the commissioner that:

(i) pledges the business will meet the requirements of clause (1);

(ii) provides for repayment of all tax benefits enumerated under section 469.336 to the business under the procedures in section 469.340, if the requirements of clause (1) are not met; and

(iii) contains any other terms the commissioner determines appropriate.

[EFFECTIVE DATE.] This section is effective retroactively from June 9, 2003.

Sec. 19. Minnesota Statutes 2003 Supplement, section 469.337, is amended to read:

469.337 [CORPORATE FRANCHISE TAX EXEMPTION.]

(a) A qualified business is exempt from taxation under section 290.02, the alternative minimum tax under section 290.0921, and the minimum fee under section 290.0922, on the portion of its income attributable to operations of a qualified business within the biotechnology and health sciences industry zone. This exemption is determined as follows:

(1) for purposes of the tax imposed under section 290.02, by multiplying its taxable net income by its zone percentage and subtracting the result in determining taxable income;

(2) for purposes of the alternative minimum tax under section 290.0921, by multiplying its alternative minimum taxable income by its zone percentage and reducing alternative minimum taxable income by this amount; and

(3) for purposes of the minimum fee under section 290.0922, by excluding zone property and payroll ~~in the zone~~ from the computations of the fee. The qualified business is exempt from the minimum fee if all of its property is located in the zone and all of its payroll is zone payroll.

(b) No subtraction is allowed under this section in excess of 20 percent of the sum of the corporation's biotechnology and health sciences industry zone payroll and the adjusted basis of the property at the time that the property is first used in the biotechnology and health sciences industry zone by the corporation.

(c) No reduction in tax is allowed in excess of the amount allocated under section 469.335.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2003.

Sec. 20. Minnesota Statutes 2002, section 473F.02, subdivision 2, is amended to read:

Subd. 2. [AREA.] "Area" means the territory included within the boundaries of Anoka, Carver, Dakota excluding the city of Northfield, Hennepin, Ramsey, Scott excluding the city of New Prague, and Washington Counties, excluding lands constituting a major or an intermediate airport as defined under section 473.625.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2005 and thereafter.

Sec. 21. [REPEALER.]

Laws 1975, chapter 287, section 5, and Laws 2003, chapter 127, article 9, section 9, subdivision 4, are repealed.

[EFFECTIVE DATE.] This section is effective without local approval for taxes payable in 2005 and thereafter.

ARTICLE 9

MISCELLANEOUS

Section 1. Minnesota Statutes 2003 Supplement, section 16A.152, subdivision 2, is amended to read:

Subd. 2. [ADDITIONAL REVENUES; PRIORITY.] (a) If on the basis of a forecast of general fund revenues and expenditures, 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 to the following accounts and purposes in priority order:

(1) the cash flow account established in subdivision 1 until that account reaches \$350,000,000; ~~and~~

(2) the budget reserve account established in subdivision 1a until that account reaches \$653,000,000;

(3) the amount necessary to eliminate all or a portion of the property tax revenue recognition shift in section 123B.75, subdivision 5; and

(4) the amount necessary to increase the aid payment schedule for school district aids and credits payments in section 127A.45 to not more than 90 percent.

(b) The amounts necessary to meet the requirements of this section are appropriated from the general fund within two weeks after the forecast is released or, in the case of transfers under paragraph (a), clauses (3) and (4), as necessary to meet the appropriations schedules otherwise established in statute.

(c) To the extent that a positive unrestricted budgetary general fund balance is projected, appropriations under this section must be made before any transfer is made under section 16A.1522.

(d) The commissioner of finance shall certify the total dollar amount of the reductions under paragraph (a), clauses (3) and (4), to the commissioner of education. The commissioner of education shall increase the aid payment percentage and reduce the property tax shift percentage by these amounts and apply those reductions to the current fiscal year and thereafter.

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

Sec. 2. Minnesota Statutes 2002, section 168A.02, subdivision 2, is amended to read:

Subd. 2. **[NO VEHICLE REGISTRATION WITHOUT TITLE.]** The department shall not register or renew the registration of a vehicle for which a certificate of title is required unless a certificate of title has been issued to the owner ~~or~~, an application therefor has been delivered to and approved by the department, or the vehicle has a Minnesota certificate of title and is being held for resale by a dealer under section 168A.11.

Sec. 3. Minnesota Statutes 2002, section 168A.11, subdivision 1, is amended to read:

Subdivision 1. ~~**[APPLICATION REQUIREMENTS UPON SUBSEQUENT TRANSFER.]**~~ (a) ~~If A dealer who buys a vehicle and holds it for resale and procures the certificate of title from the owner, and complies with subdivision 2 hereof, the dealer~~ need not apply for a certificate of title, ~~but~~. Upon transferring the vehicle to another person, other than by the creation of a security interest, the dealer shall promptly execute the assignment and warranty of title by a dealer, showing the names and addresses of the transferee and of any secured party holding a security interest created or reserved at the time of the resale, and the date of the security agreement in the spaces provided therefor on the certificate of title or secure reassignment.

(b) If a dealer elects to apply for a certificate of title on a vehicle held for resale, the dealer need not register the vehicle but shall pay one month's registration tax. If a dealer elects to apply for a certificate of title on a vehicle held for resale, the department shall not place any legend on the title that no motor vehicle sales tax was paid by the dealer, but may indicate on the title whether the vehicle is a new or used vehicle.

(c) With respect to motor vehicles subject to the provisions of section 325E.15, the dealer shall also, in the space provided therefor on the certificate of title or secure reassignment, state the true cumulative mileage registered on the odometer or that the exact mileage is unknown if the odometer reading is known by the transferor to be different from the true mileage.

(d) The transferee shall complete the application for title section on the certificate of title or separate title application form prescribed by the department. The dealer shall mail or deliver the certificate to the registrar or deputy registrar with the transferee's application for a new certificate and appropriate taxes and fees, within ten business days.

(e) With respect to vehicles sold to buyers who will remove the vehicle from this state, the dealer shall remove any license plates from the vehicle, issue a 31-day temporary permit pursuant to section 168.091, and notify the

registrar within 48 hours of the sale that the vehicle has been removed from this state. The notification must be made in an electronic format prescribed by the registrar. The dealer may contract with a deputy registrar for the notification of sale to an out-of-state buyer. The deputy registrar may charge a fee not to exceed \$7 per transaction to provide this service.

Sec. 4. Minnesota Statutes 2002, section 168A.11, subdivision 2, is amended to read:

Subd. 2. ~~[PURCHASE RECEIPT NOTIFICATION ON VEHICLE HELD FOR RESALE.] A dealer, on buying a vehicle for which the seller does not present a certificate of title, shall at the time of taking delivery of the vehicle execute a purchase receipt for the vehicle in a format designated by the department, and deliver a copy to the seller. In a format and at a time prescribed by the registrar, the dealer shall notify the registrar that the vehicle is being held for resale by the dealer. Within 48 hours of acquiring a vehicle titled and registered in Minnesota, a dealer shall notify the registrar that the dealership is holding the vehicle for resale. The notification must be made electronically as prescribed by the registrar. The dealer may contract this service to a deputy registrar and the registrar may charge a fee not to exceed \$7 per transaction to provide this service.~~

Sec. 5. Minnesota Statutes 2002, section 168A.11, is amended by adding a subdivision to read:

Subd. 4. ~~[CENTRALIZED RECORD KEEPING.] Three or more new motor vehicle dealers under common management or control may designate to the department in writing a single location for maintaining the records required by this section that are more than 12 months old. The records must be open to inspection by a representative of the department or a peace officer during reasonable business hours. The location must be at the established place of business of one of the affiliated dealers or at a location within Minnesota not further than 25 miles from the established place of business of one of the affiliated dealers.~~

Sec. 6. Minnesota Statutes 2002, section 240.30, is amended by adding a subdivision to read:

Subd. 11. ~~[FRANCHISE FEE.] As a condition of operating a card club under this section, the licensee must pay a fee to the commission equal to five percent of the gross revenues, less any refunds, for charges imposed under subdivision 4. Payment, collection, and administration of the fee must be made in the same manner and under the terms provided under section 240.15 for the tax on pari-mutuel pools. The commission shall deposit all of the revenues from the fee in the state treasury and amounts deposited must be credited to the general fund. The amount of the fee under this subdivision does not reduce the obligation to set aside revenues from the card club under section 240.135.~~

~~[EFFECTIVE DATE.] This section is effective for charges and revenues received after June 30, 2004.~~

Sec. 7. Minnesota Statutes 2003 Supplement, section 270.30, subdivision 1, is amended to read:

Subdivision 1. ~~[SCOPE.] (a) This section applies to a person who offers, provides, or facilitates the provision of refund anticipation loans, as part of or in connection with the provision of tax preparation services.~~

~~(b) This section does not apply to:~~

- ~~(1) a tax preparer who provides tax preparation services for fewer than six clients in a calendar year;~~
- ~~(2) the provision by a person of tax preparation services to a spouse, parent, grandparent, child, or sibling; and~~
- ~~(3) the provision of services by an employee for an employer.~~

Sec. 8. Minnesota Statutes 2003 Supplement, section 270.30, subdivision 5, is amended to read:

Subd. 5. [ITEMIZED BILL REQUIRED.] A tax preparer who provides services for a fee or other consideration must provide an itemized statement of the charges for services, at least separately stating the charges for:

- (1) return preparation;
- (2) electronic filing; and
- (3) providing or facilitating a refund anticipation loan.

Sec. 9. Minnesota Statutes 2003 Supplement, section 270.30, subdivision 8, is amended to read:

Subd. 8. [EXEMPTIONS; ENFORCEMENT PROVISIONS.] The provisions of subdivisions 3, 6, and 7 do not apply to:

- (1) an attorney admitted to practice under section 481.01;
- (2) a certified public accountant holding a certificate under section 326A.04 or a person issued a permit to practice under section 326A.05;
- (3) a person designated as a registered accounting practitioner under Minnesota Rules, part 1105.6600, or a registered accounting practitioner firm issued a permit under Minnesota Rules, part 1105.7100;
- (4) an enrolled agent who has passed the special enrollment examination administered by the Internal Revenue Service; ~~and~~
- (5) any fiduciary, or the regular employees of a fiduciary, while acting on behalf of the fiduciary estate, the testator, trustor, grantor, or beneficiaries of them;
- (6) a tax preparer who provides tax preparation services for fewer than six clients in a calendar year;
- (7) a person who provides tax preparation services to a spouse, parent, grandparent, child, or sibling; and
- (8) an employee who provides tax preparation services for an employer.

Sec. 10. Minnesota Statutes 2003 Supplement, section 291.03, subdivision 1, is amended to read:

Subdivision 1. [TAX AMOUNT.] (a) The tax imposed shall be an amount equal to the proportion of the maximum credit computed under section 2011 of the Internal Revenue Code, as amended through December 31, 2000, for state death taxes as the Minnesota gross estate bears to the value of the federal gross estate. The tax determined under this paragraph shall not be greater than the federal estate tax computed under section 2001 of the Internal Revenue Code after the allowance of the federal credits allowed under section 2010 of the Internal Revenue Code of 1986, as amended through December 31, 2000.

(b) For the purposes of this section, the following are not allowed in computing the tax under this chapter:

(1) expenses which are deducted for federal income tax purposes under section 642(g) of the Internal Revenue Code as amended through December 31, 2002, ~~are not allowable in computing the tax under this chapter. 2003; and~~

(2) state death taxes which are deducted under section 2058 of the Internal Revenue Code as amended through December 31, 2003;

(c) For qualified terminable interest property, as defined in section 2056(b)(7) of the Internal Revenue Code, the executor may make an election for purposes of the tax under this chapter that is different than the amount elected for federal estate tax purposes. The election must be made on the return for tax under this chapter and is irrevocable. All tax under this chapter must be determined using the qualified terminable interest property election made on the Minnesota return.

[EFFECTIVE DATE.] This section is effective for decedents dying after December 31, 2004.

Sec. 11. Minnesota Statutes 2002, section 298.24, subdivision 1, is amended to read:

Subdivision 1. (a) For concentrate produced in 2001, 2002, and 2003, 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 \$2.103 per gross ton of merchantable iron ore concentrate produced therefrom.

(b) For concentrates produced in 2004 and subsequent years, the tax rate shall be equal to the preceding year's tax rate plus an amount equal to the preceding year's tax rate multiplied by the percentage increase in the implicit price deflator from the fourth quarter of the second preceding year to the fourth quarter of the preceding year. "Implicit price deflator" means the implicit price deflator for the gross domestic product prepared by the Bureau of Economic Analysis of the United States Department of Commerce.

(c) On concentrates produced in 1997 and thereafter, an additional tax is imposed equal to three cents per gross ton of merchantable iron ore concentrate for each one percent that the iron content of the product exceeds 72 percent, when dried at 212 degrees Fahrenheit.

(d) The tax shall be imposed on the average of the production for the current year and the previous two years. The rate of the tax imposed will be the current year's tax rate. This clause shall not apply in the case of the closing of a taconite facility if the property taxes on the facility would be higher if this clause and section 298.25 were not applicable.

(e) If the tax or any part of the tax imposed by this subdivision is held to be unconstitutional, a tax of \$2.103 per gross ton of merchantable iron ore concentrate produced shall be imposed.

(f) Consistent with the intent of this subdivision to impose a tax based upon the weight of merchantable iron ore concentrate, the commissioner of revenue may indirectly determine the weight of merchantable iron ore concentrate included in fluxed pellets by subtracting the weight of the limestone, dolomite, or olivine derivatives or other basic flux additives included in the pellets from the weight of the pellets. For purposes of this paragraph, "fluxed pellets" are pellets produced in a process in which limestone, dolomite, olivine, or other basic flux additives are combined with merchantable iron ore concentrate. No subtraction from the weight of the pellets shall be allowed for binders, mineral and chemical additives other than basic flux additives, or moisture.

(g)(1) Notwithstanding any other provision of this subdivision, for the first two years of a plant's commercial production of direct reduced ore, no tax is imposed under this section. As used in this paragraph, "commercial production" is production of more than 50,000 tons of direct reduced ore in the current year or in any prior year, and "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 commercial production of direct reduced ore, the rate to be applied to direct reduced ore is 25 percent of

the rate otherwise determined under this subdivision. For the fourth ~~such~~ commercial production year, the rate is 50 percent of the rate otherwise determined under this subdivision; for the fifth ~~such~~ commercial production year, the rate is 75 percent of the rate otherwise determined under this subdivision; and for all subsequent commercial production years, the full rate is imposed.

(2) Subject to clause (1), production of direct reduced ore in this state is subject to the tax imposed by this section, but if that production is not produced by a producer of taconite 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.

(3) Notwithstanding any other provision of this subdivision, no tax is imposed under this section during the facility's noncommercial production of direct reduced ore.

[EFFECTIVE DATE.] This section is effective for direct reduced ore produced after the date of final enactment.

Sec. 12. Minnesota Statutes 2003 Supplement, section 469.335, is amended to read:

469.335 [APPLICATION FOR TAX BENEFITS.]

(a) To claim a tax credit or exemption against a state tax under section 469.336, clauses (2) through (5), a business must apply to the commissioner for a tax credit certificate. As a condition of its application, the business must agree to furnish information to the commissioner that is sufficient to verify the eligibility for any credits or exemptions claimed. The total amount of the state tax credits and exemptions allowed for the specified period may not exceed the amount of the tax credit certificates provided by the commissioner to the business. The commissioner must verify to the commissioner of revenue the amount of tax exemptions or credits for which each business is eligible.

(b) A tax credit certificate issued under this section may specify the particular tax exemptions or credits against a state tax that the qualified business is eligible to claim under section 469.336, clauses (2) through (5), and the amount of each exemption or credit allowed.

(c) The commissioner may issue ~~\$1,000,000~~ \$2,000,000 of tax credits or exemptions in fiscal year 2004. Any tax credits or exemptions not awarded in fiscal year 2004 may be awarded in fiscal year 2005.

(d) A qualified business must use the tax credits or tax exemptions granted under this section by the later of the end of the state fiscal year or the taxpayer's tax year in which the credits or exemptions are granted.

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

Sec. 13. Laws 2000, chapter 391, section 1, subdivision 1, is amended to read:

Subdivision 1. [TASK FORCE; MEMBERSHIP.] (a) The secretary of state shall ~~establish~~ serve as the chair of a task force of 15 members to study and make recommendations for the establishment of a system for the electronic filing and recording of real estate documents. Members who are appointed under this section shall serve for a term of two years commencing on June 30, 2004. Upon expiration of their term, members may be reappointed for an additional year by their appointing authority. Two county board members to be appointed by the Association of Minnesota Counties, including one board member from within the seven-county metropolitan area, as designated under Minnesota Statutes, section 16E.02, shall serve as the vice-chairs of the task force. The task force must include:

~~(1) two members of the senate appointed by the subcommittee on committees of the committee on rules and administration and two members of the house appointed by the speaker of the house;~~

~~(2) representatives of county recorders and other three county government officials appointed by the Association of County Officers, including one county recorder, one county auditor, and one county treasurer;~~

~~(2) the commissioner of administration or the designee of the commissioner;~~

~~(3) seven members from the private sector appointed by the chair, including representatives of:~~

~~(i) real estate attorneys, real estate agents, and public and private land surveyors;~~

~~(4) representatives of (ii) title companies, mortgage companies, and other real estate lenders; and~~

~~(5) a representative of the Minnesota historical society and other state and local government archivists;~~

~~(6) (iii) technical and industry experts in electronic commerce and electronic records management and preservation; and~~

~~(7) representatives of federal government sponsored enterprises active in the real estate industry;~~

~~(8) the commissioner of revenue; and~~

~~(9) other members appointed by the secretary of state~~

~~(4) a representative selected by the Minnesota Historical Society.~~

~~(b) The task force may refer items to subcommittees. The chair shall appoint the membership of a subcommittee. An individual may be appointed to serve on a subcommittee without serving on the task force.~~

~~(c) Any member of the task force representing a jurisdiction or private interest receiving funding from the task force in any way must resign from the task force and be replaced by the member's appointing authority.~~

Sec. 14. Laws 2000, chapter 391, section 1, subdivision 2, as amended by Laws 2002, chapter 365, section 5, is amended to read:

Subd. 2. [STUDY AND RECOMMENDATIONS.] The task force shall study and make recommendations regarding implementation of a system for electronic filing and recording of real estate documents and shall consider:

(1) technology and computer needs;

(2) legal issues such as authenticity, security, timing and priority of recordings, and the relationship between electronic and paper recording systems;

(3) cost-effectiveness of electronic recording systems;

(4) timetable and plan for implementing an electronic recording system, considering types of documents and entities using the system and volume of recordings;

(5) permissive versus mandatory systems; and

(6) other relevant issues identified by the task force.

The task force shall submit a report to the legislature by January 15, 2001, outlining a proposed work plan and budget for consideration by the legislature. By January 15, 2005, the task force shall provide an updated report to the legislature containing a revised work plan and budget. The task force expires June 30, ~~2004~~ 2007.

Sec. 15. Laws 2001, First Special Session chapter 10, article 2, section 77, the effective date, as amended by Laws 2002, chapter 365, section 7, is amended to read:

[EFFECTIVE DATE.] This section is effective only between August 1, 2001, and June 30, ~~2004~~ 2007.

Sec. 16. Laws 2002, chapter 365, section 9, is amended to read:

Sec. 9. **[EFFECTIVE DATES AND APPLICATION.]**

The amendments made by sections 3 and 4 are effective until June 30, ~~2004~~ 2007, for documents last acknowledged ten or more days after the date of final enactment of this act; or filed 45 days or more after the date of final enactment. Sections 6 to 8 are effective the day following final enactment.

Sec. 17. Laws 2003, First Special Session chapter 1, article 2, section 123, is amended to read:

Sec. 123. **[REAL ESTATE FILING SURCHARGE.]**

All funds collected during the fiscal year ending June 30, 2007, the fiscal year ending June 30, 2006, the fiscal year ending June 30, 2005, the fiscal year ending June 30, 2004, and funds collected in the fiscal year ending June 30, 2003, that carry forward into the fiscal year ending June 30, 2004, pursuant to the additional 50-cent surcharges imposed by Laws 2001, First Special Session chapter 10, article 2, section 77, and Laws 2002, chapter 365, as amended by this act, are appropriated to the legislative coordinating commission for the real estate task force established by Laws 2000, chapter 391, for the purposes set forth in Laws 2001, First Special Session chapter 10, article 2, sections 98 to 101. \$25,000 in each fiscal year from those funds are to be retained by the legislative coordinating commission for the services described in Laws 2001, First Special Session chapter 10, article 2, section 99.

Sec. 18. **[TASK FORCE TRANSITION.]**

The members of the electronic real estate document task force created in Laws 2000, chapter 391, section 1, who are serving on the task force on the effective date of this act shall end their service on that date unless reappointed or designated under section 13.

Sec. 19. **[GAMING MACHINES; IN-LIEU TAX; CONTRACTS.]**

If a bill providing for gaming machines at a racetrack is enacted in a 2004 regular or special session, then, notwithstanding any other law to the contrary:

(1) from July 1, 2005, to June 30, 2007, the state lottery must on or before the 20th day of each month transmit to the commissioner of revenue an amount equal to at least the adjusted gross revenue from the operation of gaming machines multiplied by 36.7 percent; and

(2) from July 1, 2005, to June 30, 2007, contracts for the location of gaming machines must provide for compensation to the racetrack in an amount equal to 48.3 percent of adjusted gross gaming machine revenue.

[EFFECTIVE DATE.] This section is effective at the same time as any bill that provides for gaming machines at a racetrack and is enacted in a 2004 regular or special session.

Sec. 20. [FUNDS TRANSFER.]

Subdivision 1. [BUDGET RESERVE TO CASH FLOW.] On July 2, 2004, the commissioner of finance shall transfer \$350,000,000 from the general fund budget reserve account under Minnesota Statutes, section 16A.152, subdivision 1a, to the cash flow reserve account under Minnesota Statutes, section 16A.152, subdivision 1.

Subd. 2. [GENERAL FUND TO BUDGET RESERVE.] On or before July 2, 2004, the commissioner of finance shall transfer \$8,566,000 from the general fund to the budget reserve account under Minnesota Statutes, section 16A.152, subdivision 1a.

Sec. 21. [FEDERAL FUNDS.]

The first \$167,000,000 of the general fund appropriation in fiscal year 2004 for general education aid is from general revenue sharing with states and their local governments provided to Minnesota in the 2003 Jobs and Growth Tax Relief Reconciliation Act.

Sec. 22. [APPROPRIATIONS.]

Subdivision 1. [TAX COMPLIANCE INITIATIVE.] (a) \$3,678,000 is appropriated to the commissioner of revenue in fiscal year 2005 for additional activities to identify and collect tax liabilities from individuals and businesses that currently do not pay all taxes owed. \$800,000 of this amount is for corporate compliance related to foreign operating corporations. \$120,000 of this amount is considered a onetime appropriation. The base for this additional activity is \$3,558,000 per year.

(b) This initiative is expected to result in new general fund revenues of \$16,000,000 for the biennium ending June 30, 2005, and \$16,000,000 annually thereafter.

(c) The commissioner must provide written reports to the chairs of the house Taxes and senate Taxes Committees, in compliance with Minnesota Statutes, sections 3.195 and 3.197, by March 1, 2005, and January 15, 2006. The reports must address the following performance indicators:

(1) the number of corporations noncompliant with the corporate tax system each year and the percentage and dollar amounts of valid tax liabilities collected;

(2) the number of businesses noncompliant with the sales and use tax system and the percentage and dollar amounts of the valid tax liabilities collected; and

(3) the number of insurers, agents, or others that are noncompliant with insurance tax statutes and cases resolved and the percentage and dollar amounts of valid tax liabilities collected.

The reports must also identify base level expenditures and staff positions related to compliance and audit activities, including baseline information as of January 1, 2002. The reports must provide this information at the budget activity level.

Subd. 2. [PROPERTY TAX REFUND STUDY.] \$50,000 is appropriated from the general fund for fiscal year 2005 to the commissioner of revenue for the study of the percentage that property taxes constitute of rent. This is a onetime appropriation and is not added to the base.

Subd. 3. [INCOME AND HOME VALUE DATASET.] \$50,000 is appropriated from the general fund for fiscal year 2005 to the commissioner of revenue to prepare a dataset linking homeowners' incomes and the estimated market values of their homes. The commissioner shall prepare the dataset using Minnesota tax data gathered directly from taxpayers, counties, and sources other than the Internal Revenue Service. This is a onetime appropriation and is not added to the base.

Sec. 23. [EFFECTIVE DATE.]

Sections 13 to 18 are effective the day following final enactment.

ARTICLE 10

PROPERTY TAXES TECHNICAL

Section 1. Minnesota Statutes 2003 Supplement, section 4A.02, is amended to read:

4A.02 [STATE DEMOGRAPHER.]

(a) The director shall appoint a state demographer. The demographer must be professionally competent in demography and must possess demonstrated ability based upon past performance.

(b) The demographer shall:

(1) continuously gather and develop demographic data relevant to the state;

(2) design and test methods of research and data collection;

(3) periodically prepare population projections for the state and designated regions and periodically prepare projections for each county or other political subdivision of the state as necessary to carry out the purposes of this section;

(4) review, comment on, and prepare analysis of population estimates and projections made by state agencies, political subdivisions, other states, federal agencies, or nongovernmental persons, institutions, or commissions;

(5) serve as the state liaison with the United States Bureau of the Census, coordinate state and federal demographic activities to the fullest extent possible, and aid the legislature in preparing a census data plan and form for each decennial census;

(6) compile an annual study of population estimates on the basis of county, regional, or other political or geographical subdivisions as necessary to carry out the purposes of this section and section 4A.03;

(7) by January 1 of each year, issue a report to the legislature containing an analysis of the demographic implications of the annual population study and population projections;

(8) prepare maps for all counties in the state, all municipalities with a population of 10,000 or more, and other municipalities as needed for census purposes, according to scale and detail recommended by the United States Bureau of the Census, with the maps of cities showing precinct boundaries;

(9) prepare an estimate of population and of the number of households for each governmental subdivision for which the Metropolitan Council does not prepare an annual estimate, and convey the estimates to the governing body of each political subdivision by ~~May~~ June 1 of each year;

(10) direct, under section 414.01, subdivision 14, and certify population and household estimates of annexed or detached areas of municipalities or towns after being notified of the order or letter of approval by the director;

(11) prepare, for any purpose for which a population estimate is required by law or needed to implement a law, a population estimate of a municipality or town whose population is affected by action under section 379.02 or 414.01, subdivision 14; and

(12) prepare an estimate of average household size for each statutory or home rule charter city with a population of 2,500 or more by ~~May~~ June 1 of each year.

(c) A governing body may challenge an estimate made under paragraph (b) by filing their specific objections in writing with the state demographer by June ~~10~~ 24. If the challenge does not result in an acceptable estimate ~~by June 24~~, the governing body may have a special census conducted by the United States Bureau of the Census. The political subdivision must notify the state demographer by July 1 of its intent to have the special census conducted. The political subdivision must bear all costs of the special census. Results of the special census must be received by the state demographer by the next April 15 to be used in that year's ~~May~~ June 1 estimate to the political subdivision under paragraph (b).

(d) The state demographer shall certify the estimates of population and number of households to the commissioner of revenue by July 15 each year, including any estimates still under objection. No changes in population or household estimates made after July 15 in an aid calculation year shall be considered in determining aids under sections 477A.011 to 477A.014. Clerical errors in certification or use of the estimates and counts established as of July 15 in the aid calculation year are subject to correction under section 477A.014.

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

Sec. 2. Minnesota Statutes 2003 Supplement, section 168A.05, subdivision 1a, is amended to read:

Subd. 1a. [MANUFACTURED HOME; STATEMENT OF PROPERTY TAX PAYMENT.] In the case of a manufactured home as defined in section 327.31, subdivision 6, the department shall not issue a certificate of title unless the application under section 168A.04 is accompanied with a statement from the county auditor or county treasurer where the manufactured home is presently located, stating that all manufactured home personal property taxes levied on the unit in the name of the current owner at the time of transfer have been paid. For this purpose, manufactured home personal property taxes are treated as levied on January 1 of the payable year.

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

Sec. 3. Minnesota Statutes 2002, section 270B.12, subdivision 9, is amended to read:

Subd. 9. [COUNTY ASSESSORS; HOMESTEAD APPLICATION, DETERMINATION, AND INCOME TAX STATUS.] (a) If, as a result of an audit, the commissioner determines that a person is a Minnesota nonresident or part-year resident for income tax purposes, the commissioner may disclose the person's name, address, and Social Security number to the assessor of any political subdivision in the state, when there is reason to believe that the person may have claimed or received homestead property tax benefits for a corresponding assessment year in regard to property apparently located in the assessor's jurisdiction.

(b) To the extent permitted by section 273.124, subdivision 1, paragraph (a), the Department of Revenue may verify to a county assessor whether an individual who is requesting or receiving a homestead classification has filed a Minnesota income tax return as a resident for the most recent taxable year for which the information is available.

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

Sec. 4. Minnesota Statutes 2002, section 272.01, subdivision 2, is amended to read:

Subd. 2. (a) When any real or personal property which is exempt from ad valorem taxes, and taxes in lieu thereof, is leased, loaned, or otherwise made available and used by a private individual, association, or corporation in connection with a business conducted for profit, there shall be imposed a tax, for the privilege of so using or possessing such real or personal property, in the same amount and to the same extent as though the lessee or user was the owner of such property.

(b) The tax imposed by this subdivision shall not apply to:

(1) property leased or used as a concession in or relative to the use in whole or part of a public park, market, fairgrounds, port authority, economic development authority established under chapter 469, municipal auditorium, municipal parking facility, municipal museum, or municipal stadium;

(2) property of an airport owned by a city, town, county, or group thereof which is:

(i) leased to or used by any person or entity including a fixed base operator; and

(ii) used as a hangar for the storage or repair of aircraft or to provide aviation goods, services, or facilities to the airport or general public;

the exception from taxation provided in this clause does not apply to:

(i) property located at an airport owned or operated by the Metropolitan Airports Commission or by a city of over 50,000 population according to the most recent federal census or such a city's airport authority;

(ii) hangars leased by a private individual, association, or corporation in connection with a business conducted for profit other than an aviation-related business; or

(iii) facilities leased by a private individual, association, or corporation in connection with a business for profit, that consists of a major jet engine repair facility financed, in whole or part, with the proceeds of state bonds and located in a tax increment financing district;

(3) property constituting or used as a public pedestrian ramp or concourse in connection with a public airport; or

(4) property constituting or used as a passenger check-in area or ticket sale counter, boarding area, or luggage claim area in connection with a public airport but not the airports owned or operated by the Metropolitan Airports Commission or cities of over 50,000 population or an airport authority therein. Real estate owned by a municipality in connection with the operation of a public airport and leased or used for agricultural purposes is not exempt;

(5) property leased, loaned, or otherwise made available to a private individual, corporation, or association under a cooperative farming agreement made pursuant to section 97A.135; or

(6) property leased, loaned, or otherwise made available to a private individual, corporation, or association under section 272.68, subdivision 4.

(c) Taxes imposed by this subdivision are payable as in the case of personal property taxes and shall be assessed to the lessees or users of real or personal property in the same manner as taxes assessed to owners of real or personal property, except that such taxes shall not become a lien against the property. When due, the taxes shall constitute a debt due from the lessee or user to the state, township, city, county, and school district for which the taxes were assessed and shall be collected in the same manner as personal property taxes. If property subject to the tax imposed by this subdivision is leased or used jointly by two or more persons, each lessee or user shall be jointly and severally liable for payment of the tax.

(d) The tax on real property of the state or any of its political subdivisions that is leased by a private individual, association, or corporation and becomes taxable under this subdivision or other provision of law must be assessed and collected as a personal property assessment. The taxes do not become a lien against the real property.

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

Sec. 5. Minnesota Statutes 2002, section 272.02, subdivision 1a, is amended to read:

Subd. 1a. [LIMITATIONS ON EXEMPTIONS.] The exemptions granted by subdivision 1 are subject to the limits contained in the other subdivisions of this section, section 272.025, ~~or 273.13, subdivision 25, paragraph (e), clause (1) or (2), or paragraph (d), clause (2) and all other provisions of applicable law.~~

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

Sec. 6. Minnesota Statutes 2002, section 272.02, subdivision 7, is amended to read:

Subd. 7. [INSTITUTIONS OF PUBLIC CHARITY.] Institutions of purely public charity are exempt ~~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 subdivision 26.~~ In determining whether rental housing property qualifies for exemption under this subdivision, the following are not gifts or donations to the owner of the rental housing:

(1) rent assistance provided by the government to or on behalf of tenants, and

(2) financing assistance or tax credits provided by the government to the owner on condition that specific units or a specific quantity of units be set aside for persons or families with certain income characteristics.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2004 and thereafter.

Sec. 7. Minnesota Statutes 2002, section 272.02, is amended by adding a subdivision to read:

Subd. 68. [PROPERTY SUBJECT TO TACONITE PRODUCTION TAX OR NET PROCEEDS TAX.] (a) Except for mineral interests taxed under section 273.165, and except for lands taxed under section 298.26, real and personal property described in section 298.25 is exempt to the extent the tax on taconite and iron sulphides under section 298.24 is described in section 298.25 as being in lieu of other taxes on such property. This exemption applies for taxes payable in each year that the tax under section 298.24 is payable with respect to such property.

(b) Except for mineral interests taxed under section 273.165, deposits of mineral, metal, or energy resources the mining of which is subject to taxation under section 298.015 are exempt. This exemption applies for taxes payable in each year that the tax under section 298.015 is payable with respect to such property.

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

Sec. 8. Minnesota Statutes 2002, section 272.02, is amended by adding a subdivision to read:

Subd. 69. [RELIGIOUS CORPORATIONS.] Personal and real property that a religious corporation, formed under section 317A.909, necessarily uses for a religious purpose is exempt to the extent provided in section 317A.909, subdivision 3.

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

Sec. 9. Minnesota Statutes 2002, section 272.02, is amended by adding a subdivision to read:

Subd. 70. [CHILDREN'S HOMES.] Personal and real property owned by a corporation formed under section 317A.907 is exempt to the extent provided in section 317A.907, subdivision 7.

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

Sec. 10. Minnesota Statutes 2002, section 272.02, is amended by adding a subdivision to read:

Subd. 71. [HOUSING AND REDEVELOPMENT AUTHORITY AND TRIBAL HOUSING AUTHORITY PROPERTY.] Property owned by a housing and redevelopment authority described in chapter 469, or by a designated housing authority described in section 469.040, subdivision 5, is exempt to the extent provided in chapter 469.

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

Sec. 11. Minnesota Statutes 2002, section 273.124, subdivision 8, is amended to read:

Subd. 8. [HOMESTEAD OWNED BY OR LEASED TO FAMILY FARM CORPORATION, JOINT FARM VENTURE, LIMITED LIABILITY COMPANY, OR PARTNERSHIP.] (a) Each family farm corporation, ~~each~~; each joint family farm venture; and each limited liability company, ~~and each~~ or partnership ~~operating which operates~~ 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, member, or partner thereof who is residing on the land, and actively engaged in farming of the land owned by the family farm corporation, joint family farm venture, limited liability company, or partnership ~~operating a family farm~~. Homestead treatment applies even if legal title to the property is in the name of the family farm corporation, joint family farm venture, limited liability company, or partnership ~~operating the family farm~~, and not in the name of the person residing on it.

"Family farm corporation," "family farm," and "partnership operating a family farm" have the meanings given in section 500.24, except that the number of allowable shareholders, members, or partners under this subdivision shall not exceed 12. "Limited liability company" has the meaning contained in sections 322B.03, subdivision 28, and 500.24, subdivision 2, paragraphs (l) and (m). "Joint family farm venture" means a cooperative agreement among two or more farm enterprises authorized to operate a family farm under section 500.24.

(b) In addition to property specified in paragraph (a), any other residences owned by family farm corporations, joint family farm ventures, limited liability companies, or partnerships ~~operating a family farm~~ described in paragraph (a) which are located on agricultural land and occupied as homesteads by its shareholders, members, or partners who are actively engaged in farming on behalf of that corporation, joint farm venture, limited liability company, or partnership must also be assessed as class 2a property or as class 1b property under section 273.13.

(c) Agricultural property that is owned by a member, partner, or shareholder of a family farm corporation or joint family farm venture, limited liability company operating a family farm, or by a partnership operating a family farm and leased to the family farm corporation, limited liability company, ~~or~~ partnership ~~operating a family farm~~, or joint

farm venture, as defined in paragraph (a), is eligible for classification as class 1b or class 2a under section 273.13, if the owner is actually residing on the property, and is actually engaged in farming the land on behalf of that corporation, joint farm venture, limited liability company, or partnership. This paragraph applies without regard to any legal possession rights of the family farm corporation, joint family farm venture, limited liability company, or partnership ~~operating a family farm~~ under the lease.

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

Sec. 12. Minnesota Statutes 2002, section 273.19, subdivision 1a, is amended to read:

Subd. 1a. For purposes of this section, a lease includes any agreement, except a cooperative farming agreement pursuant to section 97A.135, subdivision 3, or a lease executed pursuant to section 272.68, subdivision 4, permitting a nonexempt person or entity to use the property, regardless of whether the agreement is characterized as a lease. A lease has a "term of at least one year" if the term is for a period of less than one year and the lease permits the parties to renew the lease without requiring that similar terms for leasing the property will be offered to other applicants or bidders through a competitive bidding or other form of offer to potential lessees or users.

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

Sec. 13. Minnesota Statutes 2002, section 274.14, is amended to read:

274.14 [LENGTH OF SESSION; RECORD.]

~~The county board of equalization or the special board of equalization appointed by it shall meet during the last ten meeting days in June. For this purpose, "meeting days" are defined as any day of the week excluding Saturday and Sunday. The board may meet on any ten consecutive meeting days in June, after the second Friday in June, if~~ The actual meeting dates ~~are~~ must be contained on the valuation notices mailed to each property owner in the county ~~under as provided in section 273.121. For this purpose, "meeting days" is defined as any day of the week excluding Saturday and Sunday.~~ No action taken by the county board of review after June 30 is valid, except for corrections permitted in sections 273.01 and 274.01. The county auditor shall keep an accurate record of the proceedings and orders of the board. The record must be published like other proceedings of county commissioners. A copy of the published record must be sent to the commissioner of revenue, with the abstract of assessment required by section 274.16.

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

Sec. 14. Minnesota Statutes 2002, section 275.065, subdivision 1a, is amended to read:

Subd. 1a. [OVERLAPPING JURISDICTIONS.] In the case of a taxing authority lying in two or more counties, the home county auditor shall certify the proposed levy and the proposed local tax rate to the other county auditor by ~~September 20~~ October 5. The home county auditor must estimate the levy or rate in preparing the notices required in subdivision 3, if the other county has not certified the appropriate information. If requested by the home county auditor, the other county auditor must furnish an estimate to the home county auditor.

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

Sec. 15. Minnesota Statutes 2002, section 275.07, subdivision 1, is amended to read:

Subdivision 1. [CERTIFICATION OF LEVY.] (a) Except as provided under paragraph (b), the taxes voted by cities, counties, school districts, and special districts shall be certified by the proper authorities to the county auditor on or before five working days after December 20 in each year. A town must certify the levy adopted by the town

board to the county auditor by September 15 each year. If the town board modifies the levy at a special town meeting after September 15, the town board must recertify its levy to the county auditor on or before five working days after December 20. ~~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.

(b)(i) The taxes voted by counties under sections 103B.241, 103B.245, and 103B.251 shall be separately certified by the county to the county auditor on or before five working days after December 20 in each year. The taxes certified shall not be reduced by the county auditor by the aid received under section 273.1398, subdivisions 2 and 3. If a county fails to certify its levy by that date, its levy shall be the amount levied by it for the preceding year.

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

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

Sec. 16. Minnesota Statutes 2002, section 275.07, subdivision 4, is amended to read:

Subd. 4. **[REPORT TO COMMISSIONER.]** (a) On or before October 8 of each year, the county auditor shall report to the commissioner of revenue the proposed levy certified by local units of government under section 275.065, subdivision 1. If any taxing authorities have notified the county auditor that they are in the process of negotiating an agreement for sharing, merging, or consolidating services but that when the proposed levy was certified under section 275.065, subdivision 1c, the agreement was not yet finalized, the county auditor shall supply that information to the commissioner when filing the report under this section and shall recertify the affected levies as soon as practical after October 10.

(b) On or before January 15 of each year, the county auditor shall report to the commissioner of revenue the final levy certified by local units of government under subdivision 1.

(c) The levies must be reported in the manner prescribed by the commissioner. ~~The reports must show a total levy and the amount of each special levy.~~

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

Sec. 17. Minnesota Statutes 2003 Supplement, section 276.112, is amended to read:

276.112 **[STATE PROPERTY TAXES; COUNTY TREASURER.]**

On or before January 25 each year, for the period ending December 31 of the prior year, and on or before two business days before June ~~29~~ 30 each year, for the period ending on the most recent settlement day determined in section 276.09, and on or before December 2 each year, for the period ending November 20, the county treasurer must make full settlement with the county auditor according to sections 276.09, 276.10, and 276.111 for all receipts of state property taxes levied under section 275.025, and must transmit those receipts to the commissioner of revenue by electronic means.

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

Sec. 18. Minnesota Statutes 2002, section 282.016, is amended to read:

282.016 [PROHIBITED PURCHASERS.]

~~No~~ (a) A county auditor, county treasurer, county attorney, court administrator of the district court, ~~or~~ county assessor ~~or~~ supervisor of assessments, ~~or~~ deputy or clerk or an employee of such officer, ~~and no~~ a commissioner for tax-forfeited lands or an assistant to such commissioner ~~may~~, must not become a purchaser, either personally or as an agent or attorney for another person, of the properties offered for sale under the provisions of this chapter, ~~either personally, or as agent or attorney for any other person, except that in the county for which the person performs duties. A person prohibited from purchasing property under this section must not directly or indirectly have another person purchase it on behalf of the prohibited purchaser for the prohibited purchaser's benefit or gain.~~

(b) Notwithstanding paragraph (a), such officer, deputy, ~~court administrator clerk~~, or employee or commissioner for tax-forfeited lands or assistant to such commissioner may (1) purchase lands owned by that official at the time the state became the absolute owner thereof or (2) bid upon and purchase forfeited property offered for sale under the alternate sale procedure described in section 282.01, subdivision 7a.

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

Sec. 19. Minnesota Statutes 2002, section 282.21, is amended to read:

282.21 [FORM OF CONVEYANCE.]

When any sale has been made under sections 282.14 to 282.22, upon payment in full of the purchase price, appropriate conveyance in fee in such form as may be prescribed by the attorney general shall be issued by the commissioner of finance to the purchaser or the purchaser's assigns and this conveyance shall have the force and effect of a patent from the state.

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

Sec. 20. Minnesota Statutes 2002, section 282.224, is amended to read:

282.224 [FORM OF CONVEYANCE.]

When any sale has been made under sections 282.221 to 282.226, upon payment in full of the purchase price, appropriate conveyance in fee, in such form as may be prescribed by the attorney general, shall be issued by the commissioner of natural resources to the purchaser or the purchaser's assignee, and the conveyance shall have the force and effect of a patent from the state.

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

Sec. 21. Minnesota Statutes 2002, section 282.301, is amended to read:

282.301 [RECEIPTS FOR PAYMENTS.]

When any sale has been made under sections 282.012 and 282.241 to 282.324, the purchaser shall receive from the county auditor at the time of repurchase a receipt, in such form as may be prescribed by the attorney general. When the purchase price of a parcel of land shall be paid in full, the following facts shall be certified by the county auditor to the commissioner of revenue of the state of Minnesota: the description of land, the date of sale, the name of the purchaser or the purchaser's assignee, and the date when the final installment of the purchase price was paid. Upon payment in full of the purchase price, the purchaser or the assignee shall receive a quitclaim deed from the

state, to be executed by the commissioner of revenue. The deed must be sent to the county auditor who shall have it recorded before it is forwarded to the purchaser. Failure to make any payment herein required shall constitute default and upon such default and cancellation in accord with section 282.40, the right, title and interest of the purchaser or the purchaser's heirs, representatives, or assigns in such parcel shall terminate.

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

Sec. 22. [473.24] [POPULATION ESTIMATES.]

(a) The Metropolitan Council shall prepare an estimate of population and of the number of households for each city and town in the metropolitan area annually and convey the estimates to the governing body of each city or town by June 1 each year. In the case of a city or town that is located partly within and partly without the metropolitan area, the Metropolitan Council shall estimate the proportion of the total population and number of households that reside within the area. The Metropolitan Council may prepare an estimate of the population and of the number of households for any other political subdivision located in the metropolitan area.

(b) A governing body may challenge an estimate made under this section by filing its specific objections in writing with the Metropolitan Council by June 24. If the challenge does not result in an acceptable estimate, the governing body may have a special census conducted by the United States Bureau of the Census. The political subdivision must notify the Metropolitan Council on or before July 1 of its intent to have the special census conducted. The political subdivision must bear all costs of the special census. Results of the special census must be received by the Metropolitan Council by the next April 15 to be used in that year's June 1 estimate under this section. The Metropolitan Council shall certify the estimates of population and number of households to the state demographer and to the commissioner of revenue by July 15 each year, including any estimates still under objection.

(c) No changes in population or household estimates after July 15 in an aid calculation year shall be considered in determining aids under sections 477A.011 to 477A.014. Clerical errors in certification or use of the estimates and counts established as of July 15 in the aid calculation year are subject to correction under section 477A.014.

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

Sec. 23. Minnesota Statutes 2002, section 473F.02, subdivision 7, is amended to read:

Subd. 7. [POPULATION.] "Population" means the most recent estimate of the population of a municipality made by the Metropolitan Council under section 473.24 and filed with the commissioner of revenue as of July 15 of the year in which a municipality's distribution net tax capacity is calculated. ~~The council shall annually estimate the population of each municipality as of a date which it determines and, in the case of a municipality which is located partly within and partly without the area, the proportion of the total which resides within the area, and shall promptly thereafter file its estimates with the commissioner of revenue.~~

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

Sec. 24. Minnesota Statutes 2003 Supplement, section 477A.011, subdivision 36, is amended to read:

Subd. 36. [CITY AID BASE.] (a) Except as otherwise provided in this subdivision, "city aid base" is zero.

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

(i) the average total tax capacity rate for taxes payable in 1995 exceeds 200 percent;

(ii) the city portion of the tax capacity rate exceeds 100 percent; and

(iii) its city aid base is less than \$60 per capita.

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

(i) the city has a population in 1994 of 2,500 or more;

(ii) the city is located in a county, outside of the metropolitan area, which contains a city of the first class;

(iii) the city's net tax capacity used in calculating its 1996 aid under section 477A.013 is less than \$400 per capita; and

(iv) at least four percent of the total net tax capacity, for taxes payable in 1996, of property located in the city is classified as railroad property.

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

(i) the city was incorporated as a statutory city after December 1, 1993;

(ii) its city aid base does not exceed \$5,600; and

(iii) the city had a population in 1996 of 5,000 or more.

(e) The city aid base for a city is increased by \$450,000 in 1999 to 2008 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$450,000 in calendar year 1999 only, provided that:

(i) the city had a population in 1996 of at least 50,000;

(ii) its population had increased by at least 40 percent in the ten-year period ending in 1996; and

(iii) its city's net tax capacity for aids payable in 1998 is less than \$700 per capita.

~~(f) Beginning in 2004, the city aid base for a city is equal to the sum of its city aid base in 2003 and the amount of additional aid it was certified to receive under section 477A.06 in 2003. For 2004 only, the maximum amount of total aid a city may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by the amount it was certified to receive under section 477A.06 in 2003.~~

~~(g)~~ The city aid base for a city is increased by \$150,000 for aids payable in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$150,000 in calendar year 2000 only, provided that:

(1) the city has a population that is greater than 1,000 and less than 2,500;

(2) its commercial and industrial percentage for aids payable in 1999 is greater than 45 percent; and

(3) the total market value of all commercial and industrial property in the city for assessment year 1999 is at least 15 percent less than the total market value of all commercial and industrial property in the city for assessment year 1998.

~~(h)~~ (g) The city aid base for a city is increased by \$200,000 in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 2000 only, provided that:

(1) the city had a population in 1997 of 2,500 or more;

(2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than \$650 per capita;

(3) the pre-1940 housing percentage of the city used in calculating 1999 aid under section 477A.013 is greater than 12 percent;

(4) the 1999 local government aid of the city under section 477A.013 is less than 20 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent; and

(5) the city aid base of the city used in calculating aid under section 477A.013 is less than \$7 per capita.

~~(h)~~ (h) The city aid base for a city is increased by \$102,000 in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$102,000 in calendar year 2000 only, provided that:

(1) the city has a population in 1997 of 2,000 or more;

(2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than \$455 per capita;

(3) the net levy of the city used in calculating 1999 aid under section 477A.013 is greater than \$195 per capita; and

(4) the 1999 local government aid of the city under section 477A.013 is less than 38 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent.

~~(i)~~ (i) The city aid base for a city is increased by \$32,000 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$32,000 in calendar year 2001 only, provided that:

(1) the city has a population in 1998 that is greater than 200 but less than 500;

(2) the city's revenue need used in calculating aids payable in 2000 was greater than \$200 per capita;

(3) the city net tax capacity for the city used in calculating aids available in 2000 was equal to or less than \$200 per capita;

(4) the city aid base of the city used in calculating aid under section 477A.013 is less than \$65 per capita; and

(5) the city's formula aid for aids payable in 2000 was greater than zero.

~~(j)~~ (j) The city aid base for a city is increased by \$7,200 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$7,200 in calendar year 2001 only, provided that:

- (1) the city had a population in 1998 that is greater than 200 but less than 500;
- (2) the city's commercial industrial percentage used in calculating aids payable in 2000 was less than ten percent;
- (3) more than 25 percent of the city's population was 60 years old or older according to the 1990 census;
- (4) the city aid base of the city used in calculating aid under section 477A.013 is less than \$15 per capita; and
- (5) the city's formula aid for aids payable in 2000 was greater than zero.

~~(k)~~ (k) The city aid base for a city is increased by \$45,000 in 2001 and thereafter and by an additional \$50,000 in calendar years 2002 to 2011, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$45,000 in calendar year 2001 only, and by \$50,000 in calendar year 2002 only, provided that:

- (1) the net tax capacity of the city used in calculating its 2000 aid under section 477A.013 is less than \$810 per capita;
- (2) the population of the city declined more than two percent between 1988 and 1998;
- (3) the net levy of the city used in calculating 2000 aid under section 477A.013 is greater than \$240 per capita; and
- (4) the city received less than \$36 per capita in aid under section 477A.013, subdivision 9, for aids payable in 2000.

~~(l)~~ (l) The city aid base for a city with a population of 10,000 or more which is located outside of the seven-county metropolitan area is increased in 2002 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (b) or (c), is also increased in calendar year 2002 only, by an amount equal to the lesser of:

- (1)(i) the total population of the city, as determined by the United States Bureau of the Census, in the 2000 census, (ii) minus 5,000, (iii) times 60; or
- (2) \$2,500,000.

~~(m)~~ (m) The city aid base is increased by \$50,000 in 2002 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$50,000 in calendar year 2002 only, provided that:

- (1) the city is located in the seven-county metropolitan area;
- (2) its population in 2000 is between 10,000 and 20,000; and
- (3) its commercial industrial percentage, as calculated for city aid payable in 2001, was greater than 25 percent.

(n) The city aid base for a city is increased by \$150,000 in calendar years 2002 to 2011 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$150,000 in calendar year 2002 only, provided that:

- (1) the city had a population of at least 3,000 but no more than 4,000 in 1999;
- (2) its home county is located within the seven-county metropolitan area;
- (3) its pre-1940 housing percentage is less than 15 percent; and
- (4) its city net tax capacity per capita for taxes payable in 2000 is less than \$900 per capita.

(o) The city aid base for a city is increased by \$200,000 beginning in calendar year 2003 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 2003 only, provided that the city qualified for an increase in homestead and agricultural credit aid under Laws 1995, chapter 264, article 8, section 18.

(p) The city aid base for a city is increased by \$200,000 in 2004 only and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, is also increased by \$200,000 in calendar year 2004 only, if the city is the site of a nuclear dry cask storage facility.

(q) The city aid base for a city is increased by \$10,000 in 2004 and thereafter and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$10,000 in calendar year 2004 only, if the city was included in a federal major disaster designation issued on April 1, 1998, and its pre-1940 housing stock was decreased by more than 40 percent between 1990 and 2000.

[EFFECTIVE DATE.] This section is effective beginning with aids payable in 2004.

Sec. 25. Minnesota Statutes 2003 Supplement, section 477A.03, subdivision 2b, is amended to read:

Subd. 2b. [COUNTIES.] (a) For aids payable in calendar year 2005 and thereafter, the total aids paid to counties under section 477A.0124, subdivision 3, are limited to \$100,500,000. Each calendar year, \$500,000 shall be retained by the commissioner of revenue to make reimbursements to the commissioner of finance for payments made under section 611.27. For calendar year 2004, ~~the amount shall be \$500,000~~ is appropriated from the general fund for this purpose in addition to the payments authorized under section 477A.0124, subdivision 1. For calendar year 2005 and subsequent years, the amount shall be deducted from the appropriation ~~under this paragraph for section 477A.0124, subdivision 1.~~ The reimbursements shall be to defray the additional costs associated with court-ordered counsel under section 611.27. Any retained amounts not used for reimbursement in a year shall be included in the next distribution of county need aid that is certified to the county auditors for the purpose of property tax reduction for the next taxes payable year.

(b) For aids payable in 2005 and thereafter, the total aids under section 477A.0124, subdivision 4, are limited to \$105,000,000. 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, not to exceed \$207,000 in fiscal year 2004 and thereafter. The commissioner of education shall bill the commissioner of revenue for the cost of preparation of local impact notes for school districts as required by section 3.987, not to exceed \$7,000 in fiscal year 2004 and thereafter. For aids payable in 2004, \$214,000 is appropriated from the general fund for this purpose. For aids payable in 2005 and thereafter, the commissioner of revenue shall deduct the amounts billed under this paragraph from the appropriation under this paragraph section for section 477A.0124, subdivision 4. The amounts deducted are appropriated to the commissioner of finance and the commissioner of education for the preparation of local impact notes.

[EFFECTIVE DATE.] This section is effective for aids payable in 2004 and thereafter.

Sec. 26. Laws 2003, First Special Session chapter 21, article 5, section 13, is amended to read:

Sec. 13. [2004 CITY AID REDUCTIONS.]

The commissioner of revenue shall compute an aid reduction amount for 2004 for each city as provided in this section.

The initial aid reduction amount for each city is the amount by which the city's aid distribution under Minnesota Statutes, section 477A.013, and related provisions payable in 2003 exceeds the city's 2004 distribution under those provisions.

The minimum aid reduction amount for a city is the amount of its reduction in 2003 under section 12. If a city receives an increase to its city aid base under Minnesota Statutes, section 477A.011, subdivision 36, its minimum aid reduction is reduced by an equal amount.

The maximum aid reduction amount for a city is an amount equal to 14 percent of the city's total 2004 levy plus aid revenue base, except that if the city has a city net tax capacity for aids payable in 2004, as defined in Minnesota Statutes, section 477A.011, subdivision 20, of \$700 per capita or less, the maximum aid reduction shall not exceed an amount equal to 13 percent of the city's total 2004 levy plus aid revenue base.

If the initial aid reduction amount for a city is less than the minimum aid reduction amount for that city, the final aid reduction amount for the city is the sum of the initial aid reduction amount and the lesser of the amount of the city's payable 2004 reimbursement under Minnesota Statutes, section 273.1384, or the difference between the minimum and initial aid reduction amounts for the city, and the amount of the final aid reduction in excess of the initial aid reduction is deducted from the city's reimbursements pursuant to Minnesota Statutes, section 273.1384.

If the initial aid reduction amount for a city is greater than the maximum aid reduction amount for the city, the city receives an additional distribution under this section equal to the result of subtracting the maximum aid reduction amount from the initial aid reduction amount. This distribution shall be paid in equal installments in 2004 on the dates specified in Minnesota Statutes, section 477A.015. The amount necessary for these additional distributions is appropriated to the commissioner of revenue from the general fund in fiscal year 2005.

~~The initial aid reduction is applied to the city's distribution pursuant to Minnesota Statutes, section 477A.013, and any aid reduction in excess of the initial aid reduction is applied to the city's reimbursements pursuant to Minnesota Statutes, section 273.1384.~~

To the extent that sufficient information is available on each payment date in 2004, the commissioner of revenue shall pay the reimbursements reduced under this section in equal installments on the payment dates provided in law.

[EFFECTIVE DATE.] This section is effective for aids payable in 2004.

Sec. 27. Laws 2003, First Special Session chapter 21, article 6, section 9, is amended to read:

Sec. 9. [DEFINITIONS.]

(a) For purposes of sections 9 to 15, the following terms have the meanings given them in this section.

(b) The 2003 and 2004 "levy plus aid revenue base" for a county is the sum of that county's certified property tax levy for taxes payable in 2003, plus the sum of the amounts the county was certified to receive in the designated calendar year as:

(1) homestead and agricultural credit aid under Minnesota Statutes, section 273.1398, subdivision 2, plus any additional aid under section 16, minus the amount calculated under section 273.1398, subdivision 4a, paragraph (b), for counties in judicial districts one, three, six, and ten, and 25 percent of the amount calculated under section 273.1398, subdivision 4a, paragraph (b), for counties in judicial districts two and four;

(2) the amount of county manufactured home homestead and agricultural credit aid computed for the county for payment in 2003 under section 273.166;

(3) criminal justice aid under Minnesota Statutes, section 477A.0121;

(4) family preservation aid under Minnesota Statutes, section 477A.0122;

(5) taconite aids under Minnesota Statutes, 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; and

(6) county program aid under section 477A.0124, exclusive of the attached machinery aid component.

[EFFECTIVE DATE.] This section is effective for aids payable in 2004.

Sec. 28. [REPEALER.]

Minnesota Statutes 2002, sections 273.19, subdivision 5; 274.05; 275.15; and 283.07, are repealed effective the day following final enactment.

ARTICLE 11

SALES AND USE TAXES TECHNICAL

Section 1. Minnesota Statutes 2002, section 289A.38, subdivision 6, is amended to read:

Subd. 6. [OMISSION IN EXCESS OF 25 PERCENT.] Additional taxes may be assessed within 6-1/2 years after the due date of the return or the date the return was filed, whichever is later, if:

(1) the taxpayer omits from gross income an amount properly includable in it that is in excess of 25 percent of the amount of gross income stated in the return;

(2) the taxpayer omits from a sales, use, or withholding tax return an amount of taxes in excess of 25 percent of the taxes reported in the return; or

(3) the taxpayer omits from the gross estate assets in excess of 25 percent of the gross estate reported in the return.

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

Sec. 2. Minnesota Statutes 2003 Supplement, section 289A.40, subdivision 2, is amended to read:

Subd. 2. [BAD DEBT LOSS.] If a claim relates to an overpayment because of a failure to deduct a loss due to a bad debt or to a security becoming worthless, the claim is considered timely if filed within seven years from the date prescribed for the filing of the return. A claim relating to an overpayment of taxes under chapter 297A must be filed within 3-1/2 years from the date prescribed for filing the return, plus any extensions granted for filing the return, but only if filed within the extended time. The refund or credit is limited to the amount of overpayment attributable to

the loss. "Bad debt" for purposes of this subdivision, has the same meaning as that term is used in United States Code, title 26, section 166, except that for a claim relating to an overpayment of taxes under chapter 297A the following are excluded from the calculation of bad debt: financing charges or interest; sales or use taxes charged on the purchase price; uncollectible amounts on property that remain in the possession of the seller until the full purchase price is paid; expenses incurred in attempting to collect any debt; and repossessed property.

[EFFECTIVE DATE.] For claims relating to an overpayment of taxes under chapter 297A, this section is effective for sales and purchases made on or after January 1, 2004; for all other bad debts or claims, this section is effective on or after July 1, 2003.

Sec. 3. Minnesota Statutes 2003 Supplement, section 297A.668, subdivision 1, is amended to read:

Subdivision 1. [APPLICABILITY.] The provisions of this section apply regardless of the characterization of a product as tangible personal property, a digital good, or a service; but do not apply to telecommunications services, or the sales of motor vehicles, ~~watercraft, aircraft, modular homes, manufactured homes, or mobile homes~~. These provisions only apply to determine a seller's obligation to pay or collect and remit a sales or use tax with respect to the seller's sale of a product. These provisions do not affect the obligation of a seller as purchaser to remit tax on the use of the product.

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

Sec. 4. Minnesota Statutes 2003 Supplement, section 297A.668, subdivision 3, is amended to read:

Subd. 3. [LEASE OR RENTAL OF TANGIBLE PERSONAL PROPERTY.] The lease or rental of tangible personal property, other than property identified in subdivision 4 or 5, shall be sourced as required in paragraphs (a) to (c).

(a) For a lease or rental that requires recurring periodic payments, the first periodic payment is sourced the same as a retail sale in accordance with the provisions of subdivision 6 2. Periodic payments made subsequent to the first payment are sourced to the primary property location for each period covered by the payment. The primary property location must be as indicated by an address for the property provided by the lessee that is available to the lessor from its records maintained in the ordinary course of business, when use of this address does not constitute bad faith. The property location must not be altered by intermittent use at different locations, such as use of business property that accompanies employees on business trips and service calls.

(b) For a lease or rental that does not require recurring periodic payments, the payment is sourced the same as a retail sale in accordance with the provisions of subdivision 2.

(c) This subdivision does not affect the imposition or computation of sales or use tax on leases or rentals based on a lump sum or accelerated basis, or on the acquisition of property for lease.

[EFFECTIVE DATE.] This section is effective for sales and purchases made on or after January 1, 2004.

Sec. 5. Minnesota Statutes 2003 Supplement, section 297A.668, subdivision 5, is amended to read:

Subd. 5. [TRANSPORTATION EQUIPMENT.] (a) The retail sale, including lease or rental, of transportation equipment shall be sourced the same as a retail sale in accordance with the provisions of subdivision 2, notwithstanding the exclusion of lease or rental in subdivision 2.

(b) "Transportation equipment" means any of the following:

(1) locomotives and railcars that are utilized for the carriage of persons or property in interstate commerce;
~~and/or~~

(2) trucks and truck-tractors with a gross vehicle weight rating (GVWR) of 10,001 pounds or greater, trailers, semitrailers, or passenger buses that are:

(i) registered through the international registration plan; and

(ii) operated under authority of a carrier authorized and certified by the United States Department of Transportation or another federal authority to engage in the carriage of persons or property in interstate commerce;

(3) aircraft that are operated by air carriers authorized and certificated by the United States Department of Transportation or another federal or a foreign authority to engage in the carriage of persons or property in interstate commerce; or

(4) containers designed for use on and component parts attached or secured on the transportation equipment described in items (1) through (3).

[EFFECTIVE DATE.] This section is effective for sales and purchases made on or after January 1, 2004.

Sec. 6. Minnesota Statutes 2003 Supplement, section 297A.669, subdivision 16, is amended to read:

Subd. 16. [SERVICE ADDRESS.] "Service address," for purposes of this section, means:

(1) the location of the telecommunications equipment to which a customer's call is charged and from which the call originates or terminates, regardless of where the call is billed or paid;

(2) if the location in paragraph ~~(a)~~ (1) is not known, service address means the origination point of the signal of the telecommunications services first identified by either the seller's telecommunications system or in information received by the seller from its service provider, where the system used to transport the signals is not that of the seller; or

(3) if the location in paragraphs ~~(a)~~ (1) and ~~(b)~~ (2) is not known, the service address means the location of the customer's place of primary use.

[EFFECTIVE DATE.] This section is effective for sales and purchases made on or after January 1, 2004.

Sec. 7. Minnesota Statutes 2003 Supplement, section 297A.68, subdivision 2, is amended to read:

Subd. 2. [MATERIALS CONSUMED IN INDUSTRIAL PRODUCTION.] (a) Materials stored, used, or consumed in industrial production of personal property intended to be sold ultimately at retail are exempt, whether or not the item so used becomes an ingredient or constituent part of the property produced. Materials that qualify for this exemption include, but are not limited to, the following:

(1) chemicals, including chemicals used for cleaning food processing machinery and equipment;

(2) materials, including chemicals, fuels, and electricity purchased by persons engaged in industrial production to treat waste generated as a result of the production process;

(3) fuels, electricity, gas, and steam used or consumed in the production process, except that electricity, gas, or steam used for space heating, cooling, or lighting is exempt if (i) it is in excess of the average climate control or lighting for the production area, and (ii) it is necessary to produce that particular product;

(4) petroleum products and lubricants;

(5) packaging materials, including returnable containers used in packaging food and beverage products;

(6) accessory tools, equipment, and other items that are separate detachable units with an ordinary useful life of less than 12 months used in producing a direct effect upon the product; and

(7) the following materials, tools, and equipment used in metalcasting: crucibles, thermocouple protection sheaths and tubes, stalk tubes, refractory materials, molten metal filters and filter boxes, degassing lances, and base blocks.

(b) This exemption does not include:

(1) machinery, equipment, implements, tools, accessories, appliances, contrivances and furniture and fixtures, except those listed in paragraph (a), clause (6); and

(2) petroleum and special fuels used in producing or generating power for propelling ready-mixed concrete trucks on the public highways of this state.

(c) Industrial production includes, 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, the production of road building materials, and the research, development, design, or production of computer software. Industrial production does not include painting, cleaning, repairing or similar processing of property except as part of the original manufacturing process. Industrial production does not include the furnishing of services listed in section 297A.61, subdivision 3, paragraph (g), clause (6), items (i) to (vi) and (viii).

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

Sec. 8. Minnesota Statutes 2003 Supplement, section 297A.68, subdivision 5, is amended to read:

Subd. 5. [CAPITAL EQUIPMENT.] (a) Capital equipment is exempt. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied, and then refunded in the manner provided in section 297A.75.

"Capital equipment" means machinery and equipment purchased or leased, and used in this state by the purchaser or lessee primarily for manufacturing, fabricating, mining, or refining tangible personal property to be sold ultimately at retail if the machinery and equipment are essential to the integrated production process of manufacturing, fabricating, mining, or refining. Capital equipment also includes machinery and equipment used primarily to electronically transmit results retrieved by a customer of an on-line computerized data retrieval system.

(b) Capital equipment includes, but is not limited to:

(1) machinery and equipment used to operate, control, or regulate the production equipment;

(2) machinery and equipment used for research and development, design, quality control, and testing activities;

(3) environmental control devices that are used to maintain conditions such as temperature, humidity, light, or air pressure when those conditions are essential to and are part of the production process;

(4) materials and supplies used to construct and install machinery or equipment;

(5) repair and replacement parts, including accessories, whether purchased as spare parts, repair parts, or as upgrades or modifications to machinery or equipment;

(6) materials used for foundations that support machinery or equipment;

(7) materials used to construct and install special purpose buildings used in the production process;

(8) ready-mixed concrete equipment in which the ready-mixed concrete is mixed as part of the delivery process regardless if mounted on a chassis and leases of ready-mixed concrete trucks; and

(9) machinery or equipment used for research, development, design, or production of computer software.

(c) Capital equipment does not include the following:

(1) motor vehicles taxed under chapter 297B;

(2) machinery or equipment used to receive or store raw materials;

(3) building materials, except for materials included in paragraph (b), clauses (6) and (7);

(4) machinery or equipment used for nonproduction purposes, including, but not limited to, the following: plant security, fire prevention, first aid, and hospital stations; support operations or administration; pollution control; and plant cleaning, disposal of scrap and waste, plant communications, space heating, cooling, lighting, or safety;

(5) farm machinery and aquaculture production equipment as defined by section 297A.61, subdivisions 12 and 13;

(6) machinery or equipment purchased and installed by a contractor as part of an improvement to real property; ~~or~~

(7) machinery and equipment used by restaurants in the furnishing, preparing, or serving of prepared foods as defined in section 297A.61, subdivision 31;

(8) machinery and equipment used to furnish the services listed in section 297A.61, subdivision 3, paragraph (g), clause (6), items (i) to (vi) and (viii); or

(9) any other item that is not essential to the integrated process of manufacturing, fabricating, mining, or refining.

(d) For purposes of this subdivision:

(1) "Equipment" means independent devices or tools separate from machinery but essential to an integrated production process, including computers and computer software, used in operating, controlling, or regulating machinery and equipment; and any subunit or assembly comprising a component of any machinery or accessory or attachment parts of machinery, such as tools, dies, jigs, patterns, and molds.

(2) "Fabricating" means to make, build, create, produce, or assemble components or property to work in a new or different manner.

(3) "Integrated production process" means a process or series of operations through which tangible personal property is manufactured, fabricated, mined, or refined. For purposes of this clause, (i) manufacturing begins with the removal of raw materials from inventory and ends when the last process prior to loading for shipment has been completed; (ii) fabricating begins with the removal from storage or inventory of the property to be assembled, processed, altered, or modified and ends with the creation or production of the new or changed product; (iii) mining begins with the removal of overburden from the site of the ores, minerals, stone, peat deposit, or surface materials and ends when the last process before stockpiling is completed; and (iv) refining begins with the removal from inventory or storage of a natural resource and ends with the conversion of the item to its completed form.

(4) "Machinery" means mechanical, electronic, or electrical devices, including computers and computer software, that are purchased or constructed to be used for the activities set forth in paragraph (a), beginning with the removal of raw materials from inventory through completion of the product, including packaging of the product.

(5) "Machinery and equipment used for pollution control" means machinery and equipment used solely to eliminate, prevent, or reduce pollution resulting from an activity described in paragraph (a).

(6) "Manufacturing" means an operation or series of operations where raw materials are changed in form, composition, or condition by machinery and equipment and which results in the production of a new article of tangible personal property. For purposes of this subdivision, "manufacturing" includes the generation of electricity or steam to be sold at retail.

(7) "Mining" means the extraction of minerals, ores, stone, or peat.

(8) "On-line data retrieval system" means a system whose cumulation of information is equally available and accessible to all its customers.

(9) "Primarily" means machinery and equipment used 50 percent or more of the time in an activity described in paragraph (a).

(10) "Refining" means the process of converting a natural resource to an intermediate or finished product, including the treatment of water to be sold at retail.

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

Sec. 9. Minnesota Statutes 2003 Supplement, section 297A.68, subdivision 39, is amended to read:

Subd. 39. [PREEXISTING BIDS OR CONTRACTS.] (a) The sale of tangible personal property or services is exempt from tax or a tax rate increase for a period of six months from the effective date of the law change that results in the imposition of the tax or the tax rate increase under this chapter if:

(1) the act imposing the tax or increasing the tax rate does not have transitional effective date language for existing construction contracts and construction bids; and

(2) the requirements of paragraph (b) are met.

(b) A sale is tax exempt under paragraph (a) if it meets the requirements of either clause (1) or (2):

(1) For a construction contract:

(i) the goods or services sold must be used for the performance of a bona fide written lump sum or fixed price construction contract;

(ii) the contract must be entered into before the date the goods or services become subject to the sales tax or the tax rate was increased;

(iii) the contract must not provide for allocation of future taxes; and

(iv) for each qualifying contract the contractor must give the seller documentation of the contract on which an exemption is to be claimed.

(2) For a construction bid:

(i) the goods or services sold must be used pursuant to an obligation of a bid or bids;

(ii) the bid or bids must be submitted and accepted before the date the goods or services became subject to the sales tax or the tax rate was increased;

(iii) the bid or bids must not be able to be withdrawn, modified, or changed without forfeiting a bond; and

(iv) for each qualifying bid, the contractor must give the seller documentation of the bid on which an exemption is to be claimed.

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

Sec. 10. [REPEALER.]

Minnesota Rules, parts 8130.0110, subpart 4; 8130.0200, subparts 5 and 6; 8130.0400, subpart 9; 8130.1200, subparts 5 and 6; 8130.2900; 8130.3100, subpart 1; 8130.4000, subparts 1 and 2; 8130.4200, subpart 1; 8130.4400, subpart 3; 8130.5200; 8130.5600, subpart 3; 8130.5800, subpart 5; 8130.7300, subpart 5; and 8130.8800, subpart 4, are repealed.

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

ARTICLE 12

SPECIAL TAXES TECHNICAL

Section 1. Minnesota Statutes 2002, section 287.04, is amended to read:

287.04 [EXEMPTIONS.]

The tax imposed by section 287.035 does not apply to:

(a) A decree of marriage dissolution or an instrument made pursuant to it.

(b) A mortgage given to correct a misdescription of the mortgaged property.

(c) A mortgage or other instrument that adds additional security for the same debt for which mortgage registry tax has been paid.

(d) A contract for the conveyance of any interest in real property, including a contract for deed.

(e) A mortgage secured by real property subject to the minerals production tax of sections 298.24 to 298.28.

(f) The principal amount of a mortgage loan made under a low and moderate income or other affordable housing program, if the mortgagee is a federal, state, or local government agency.

(g) Mortgages granted by fraternal benefit societies subject to section 64B.24.

(h) A mortgage amendment or extension, as defined in section 287.01.

(i) An agricultural mortgage if the proceeds of the loan secured by the mortgage are used to acquire or improve real property classified under section 273.13, subdivision 23, paragraph (a), or (b), clause (1), (2), or (3).

(j) A mortgage on an armory building as set forth in section 193.147.

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

Sec. 2. Minnesota Statutes 2002, 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~~ housing with services establishments required to be registered under chapter 144D; 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; boarding care homes, as defined in Minnesota Rules, part 4655.0100; and adult day care centers as defined in Minnesota Rules, part 9555.9600;

(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.

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

Sec. 3. Minnesota Statutes 2002, section 296A.22, is amended by adding a subdivision to read:

Subd. 9. [ABATEMENT OF PENALTY.] (a) The commissioner may by written order abate any penalty imposed under this section, if in the commissioner's opinion there is reasonable cause to do so.

(b) A request for abatement of penalty must be filed with the commissioner within 60 days of the date the notice stating that a penalty has been imposed was mailed to the taxpayer's last known address.

(c) If the commissioner issues an order denying a request for abatement of penalty, the taxpayer may file an administrative appeal as provided in section 296A.25 or appeal to tax court as provided in section 271.06. If the commissioner does not issue an order on the abatement request within 60 days from the date the request is received, the taxpayer may appeal to tax court as provided in section 271.06.

[EFFECTIVE DATE.] This section is effective for penalties imposed on or after the day following final enactment.

Sec. 4. Minnesota Statutes 2002, section 297E.01, subdivision 5, is amended to read:

Subd. 5. [DISTRIBUTOR.] "Distributor" means a distributor as defined in section 349.12, subdivision 11, or a person or linked bingo game provider who markets, sells, or provides gambling product to a person or entity for resale or use at the retail level.

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

Sec. 5. Minnesota Statutes 2002, section 297E.01, subdivision 7, is amended to read:

Subd. 7. [GAMBLING PRODUCT.] "Gambling product" means bingo hard cards, bingo paper, ~~or~~ sheets, or linked bingo paper sheets; pull-tabs; tipboards; paddletickets and paddleticket cards; raffle tickets; or any other ticket, card, board, placard, device, or token that represents a chance, for which consideration is paid, to win a prize.

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

Sec. 6. Minnesota Statutes 2002, section 297E.01, is amended by adding a subdivision to read:

Subd. 9a. [LINKED BINGO GAME.] "Linked bingo game" means a bingo game played at two or more locations where licensed organizations are authorized to conduct bingo, when there is a common prize pool and a common selection of numbers or symbols conducted at one location, and when the results of the selection are transmitted to all participating locations by satellite, telephone, or other means by a linked bingo game provider.

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

Sec. 7. Minnesota Statutes 2002, section 297E.01, is amended by adding a subdivision to read:

Subd. 9b. [LINKED BINGO GAME PROVIDER.] "Linked bingo game provider" means any person who provides the means to link bingo prizes in a linked bingo game, who provides linked bingo paper sheets to the participating organizations, who provides linked bingo prize management, and who provides the linked bingo game system.

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

Sec. 8. Minnesota Statutes 2002, section 297E.07, is amended to read:

297E.07 [INSPECTION RIGHTS.]

At any reasonable time, without notice and without a search warrant, the commissioner may enter a place of business of a manufacturer, distributor, ~~or~~ organization, or linked bingo game provider; any site from which pull-tabs or tipboards or other gambling equipment or gambling product are being manufactured, stored, or sold; or any site at which lawful gambling is being conducted, and inspect the premises, books, records, and other documents required to be kept under this chapter to determine whether or not this chapter is being fully complied with. If the commissioner is denied free access to or is hindered or interfered with in making an inspection of the place of business, books, or records, the permit of the distributor may be revoked by the commissioner, and the license of the manufacturer, the distributor, ~~or~~ the organization, or linked bingo game provider may be revoked by the board.

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

Sec. 9. Minnesota Statutes 2003 Supplement, section 297F.08, subdivision 12, is amended to read:

Subd. 12. [CIGARETTES IN INTERSTATE COMMERCE.] (a) A person may not transport or cause to be transported from this state cigarettes for sale in another state without first affixing to the cigarettes the stamp required by the state in which the cigarettes are to be sold or paying any other excise tax on the cigarettes imposed by the state in which the cigarettes are to be sold.

(b) A person may not affix to cigarettes the stamp required by another state or pay any other excise tax on the cigarettes imposed by another state if the other state prohibits stamps from being affixed to the cigarettes, prohibits the payment of any other excise tax on the cigarettes, or prohibits the sale of the cigarettes.

(c) Not later than 15 days after the end of each calendar quarter, a person who transports or causes to be transported from this state cigarettes for sale in another state shall submit to the commissioner a report identifying the quantity and style of each brand of the cigarettes transported or caused to be transported in the preceding calendar quarter, and the name and address of each recipient of the cigarettes. This reporting requirement only relates to cigarettes manufactured by companies that are not original or subsequent participating manufacturers in the Master Settlement Agreement with other states.

(d) For purposes of this section, "person" has the meaning given in section 297F.01, subdivision 12. Person does not include any common or contract carrier, or public warehouse that is not owned, in whole or in part, directly or indirectly by such person, and does not include a manufacturer that ~~has entered into~~ is an original or subsequent participating manufacturer in the Master Settlement Agreement with other states.

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

Sec. 10. Minnesota Statutes 2003 Supplement, 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 85 percent of the estimated June liability is due on the date payment of the tax is due. For distributors subject to the accelerated tax payment requirements in subdivision 10, the return for the May liability is due two business days before June 30th of the year and the return for the June liability is due on or before August 18th of the year.~~

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

Sec. 11. Minnesota Statutes 2003 Supplement, 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. ~~The return for the May liability and 85 percent of the estimated June liability is due on the date payment of the tax is due. For distributors subject to the accelerated tax payment requirements in subdivision 10, the return for the May liability is due two business days before June 30th of the year and the return for the June liability is due on or before August 18th of the year.~~

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

Sec. 12. Minnesota Statutes 2002, section 297I.01, is amended by adding a subdivision to read:

Subd. 13a. [REINSURANCE.] "Reinsurance" is insurance whereby an insurance company, for a consideration, agrees to indemnify another insurance company against all or part of the loss which the latter may sustain under the policy or policies which it has issued.

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

Sec. 13. Minnesota Statutes 2002, section 297I.05, subdivision 4, is amended to read:

Subd. 4. [~~MUTUAL PROPERTY AND CASUALTY COMPANIES WITH TOTAL ASSETS LESS THAN \$1,600,000,000 ON DECEMBER 31, 1989.~~] A tax is imposed on mutual ~~property and casualty~~ companies that had total assets greater than \$5,000,000 at the end of the calendar year but that had total assets less than \$1,600,000,000 on December 31, 1989. The rate of tax is equal to:

(1) two percent of gross premiums less return premiums on all direct business received by the insurer or agents of the insurer in Minnesota for life insurance, in cash or otherwise, during the year; and

(2) 1.26 percent of gross premiums less return premiums on all other direct business received by the insurer or agents of the insurer in Minnesota, in cash or otherwise, during the year.

[EFFECTIVE DATE.] This section is effective for returns, taxes, surcharges, and estimated payments required to be filed or paid for tax years beginning on or after January 1, 2004.

Sec. 14. Minnesota Statutes 2002, section 297I.05, subdivision 5, is amended to read:

Subd. 5. [HEALTH MAINTENANCE ORGANIZATIONS, NONPROFIT HEALTH SERVICE PLAN CORPORATIONS, AND COMMUNITY INTEGRATED SERVICE NETWORKS.] (a) ~~Health maintenance organizations, community integrated service networks, and nonprofit health care service plan corporations are exempt from the tax imposed under this section for premiums received in calendar years 2001 to 2003.~~

~~(b) For calendar years after 2003, A tax is imposed on health maintenance organizations, community integrated service networks, and nonprofit health care service plan corporations. The rate of tax is equal to one percent of gross premiums less return premiums on all direct business received by the organization, network, or corporation or its agents in Minnesota, in cash or otherwise, in the calendar year.~~

~~(c) 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 tax as described in paragraph (a) is reflected in the premium rate.~~

~~(d)~~ (b) The commissioner shall deposit all revenues, including penalties and interest, collected under this chapter from health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations in the health care access fund. Refunds of overpayments of tax imposed by this subdivision must be paid from the health care access fund. There is annually appropriated from the health care access fund to the commissioner the amount necessary to make any refunds of the tax imposed under this subdivision.

[EFFECTIVE DATE.] This section is effective January 1, 2004.

Sec. 15. [REPEALER.]

Minnesota Statutes 2002, section 297E.12, subdivision 10, is repealed effective the day following final enactment.

ARTICLE 13

MISCELLANEOUS TECHNICAL

Section 1. Minnesota Statutes 2002, 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 liability reported on a return was entered into the records of the commissioner 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 date of the return made by the commissioner; or, in the case of an amended return filed by the taxpayer, the assessment date is the date additional liability reported on the return, if any, was entered into the

records of the commissioner; or, in the case of a consent agreement signed by the taxpayer under section 270.67, subdivision 3, the assessment date is the notice date shown on the agreement; 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.

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

Sec. 2. Minnesota Statutes 2003 Supplement, section 289A.19, subdivision 4, is amended to read:

Subd. 4. [ESTATE TAX RETURNS.] ~~When in the commissioner's judgment good cause exists, the commissioner may extend the time for filing an estate tax return for not more than six months.~~ When an extension to file the federal estate tax return has been granted under section 6081 of the Internal Revenue Code, the time for filing the estate tax return is extended for that period. If the estate requests an extension to file an estate tax return within the time provided in section 289A.18, subdivision 3, the commissioner shall extend the time for filing the estate tax return for six months.

[EFFECTIVE DATE.] This section is effective for estates of decedents dying after December 31, 2003.

Sec. 3. Minnesota Statutes 2002, section 289A.37, subdivision 5, is amended to read:

Subd. 5. [SUFFICIENCY OF NOTICE.] An order of assessment, sent postage prepaid by United States mail to the taxpayer at the taxpayer's last known address, or sent by electronic mail to the taxpayer's last known electronic mailing address as provided for in section 325L.08, is sufficient even if the taxpayer is deceased or is under a legal disability, or, in the case of a corporation, has terminated its existence, unless the department has been provided with a new address by a party authorized to receive notices of assessment.

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

Sec. 4. Minnesota Statutes 2002, section 289A.60, subdivision 6, is amended to read:

Subd. 6. [PENALTY FOR FAILURE TO FILE, FALSE OR FRAUDULENT RETURN, EVASION.] If a person, with intent to evade or defeat a tax or payment of tax, fails to file a return, files a false or fraudulent return, or attempts in any other manner to evade or defeat a tax or payment of tax, there is imposed on the person a penalty equal to 50 percent of the tax, less amounts paid by the person on the basis of the false or fraudulent return, if any, due for the period to which the return related.

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

Sec. 5. Minnesota Statutes 2003 Supplement, section 290.01, subdivision 19a, is amended to read:

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

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

(ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, except the portion of the exempt-interest dividends derived from interest income on obligations of the state of Minnesota or its political or governmental subdivisions, municipalities, governmental agencies or instrumentalities, but only if the portion of the exempt-interest dividends from such Minnesota sources paid to all shareholders represents 95 percent or more of the exempt-interest dividends that are paid by the regulated investment company as defined in section 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as defined in section 851(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~~ the amount of taxes based on net income 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 99-514, applies;

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

(5) the amount of expense, interest, or taxes disallowed pursuant to section 290.10;

(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; and

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

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2003.

Sec. 6. Minnesota Statutes 2002, section 290.06, subdivision 22, is amended to read:

Subd. 22. [CREDIT FOR TAXES PAID TO ANOTHER STATE.] (a) A taxpayer who is liable for taxes based on or measured by net income to another state, as provided in paragraphs (b) through (f), upon income allocated or apportioned to Minnesota, is entitled to a credit for the tax paid to another state if the tax is actually paid in the taxable year or a subsequent taxable year. A taxpayer who is a resident of this state pursuant to section 290.01, subdivision 7, ~~clause (2) paragraph (b)~~, and who is subject to income tax as a resident in the state of the individual's domicile is not allowed this credit unless the state of domicile does not allow a similar credit.

(b) For an individual, estate, or trust, the credit is determined by multiplying the tax payable under this chapter by the ratio derived by dividing the income subject to tax in the other state that is also subject to tax in Minnesota while a resident of Minnesota by the taxpayer's federal adjusted gross income, as defined in section 62 of the Internal Revenue Code, modified by the addition required by section 290.01, subdivision 19a, clause (1), and the subtraction allowed by section 290.01, subdivision 19b, clause (1), to the extent the income is allocated or assigned to Minnesota under sections 290.081 and 290.17.

(c) If the taxpayer is an athletic team that apportions all of its income under section 290.17, subdivision 5, the credit is determined by multiplying the tax payable under this chapter by the ratio derived from dividing the total net income subject to tax in the other state by the taxpayer's Minnesota taxable income.

(d) The credit determined under paragraph (b) or (c) shall not exceed the amount of tax so paid to the other state on the gross income earned within the other state subject to tax under this chapter, nor shall the allowance of the credit reduce the taxes paid under this chapter to an amount less than what would be assessed if such income amount was excluded from taxable net income.

(e) In the case of the tax assessed on a lump sum distribution under section 290.032, the credit allowed under paragraph (a) is the tax assessed by the other state on the lump sum distribution that is also subject to tax under section 290.032, and shall not exceed the tax assessed under section 290.032. To the extent the total lump sum distribution defined in section 290.032, subdivision 1, includes lump sum distributions received in prior years or is all or in part an annuity contract, the reduction to the tax on the lump sum distribution allowed under section 290.032, subdivision 2, includes tax paid to another state that is properly apportioned to that distribution.

(f) If a Minnesota resident reported an item of income to Minnesota and is assessed tax in such other state on that same income after the Minnesota statute of limitations has expired, the taxpayer shall receive a credit for that year under paragraph (a), notwithstanding any statute of limitations to the contrary. The claim for the credit must be submitted within one year from the date the taxes were paid to the other state. The taxpayer must submit sufficient proof to show entitlement to a credit.

(g) For the purposes of this subdivision, a resident shareholder of a corporation treated as an "S" corporation under section 290.9725, must be considered to have paid a tax imposed on the shareholder in an amount equal to the shareholder's pro rata share of any net income tax paid by the S corporation to another state. For the purposes of the preceding sentence, the term "net income tax" means any tax imposed on or measured by a corporation's net income.

(h) For the purposes of this subdivision, a resident partner of an entity taxed as a partnership under the Internal Revenue Code must be considered to have paid a tax imposed on the partner in an amount equal to the partner's pro rata share of any net income tax paid by the partnership to another state. For purposes of the preceding sentence, the term "net income" tax means any tax imposed on or measured by a partnership's net income.

(i) For the purposes of this subdivision, "another state":

(1) includes:

(i) the District of Columbia; and

(ii) a province or territory of Canada; but

(2) excludes Puerto Rico and the several territories organized by Congress.

(j) The limitations on the credit in paragraphs (b), (c), and (d), are imposed on a state by state basis.

(k) For a tax imposed by a province or territory of Canada, the tax for purposes of this subdivision is the excess of the tax over the amount of the foreign tax credit allowed under section 27 of the Internal Revenue Code. In determining the amount of the foreign tax credit allowed, the net income taxes imposed by Canada on the income are deducted first. Any remaining amount of the allowable foreign tax credit reduces the provincial or territorial tax that qualifies for the credit under this subdivision.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2003.

Sec. 7. Minnesota Statutes 2003 Supplement, section 290.0674, subdivision 1, is amended to read:

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

(1) fees or tuition for instruction by an instructor under section 120A.22, subdivision 10, clause (1), (2), (3), (4), or (5), or a member of the Minnesota Music Teachers Association, and who is not a lineal ancestor or sibling of the dependent for instruction outside the regular school day or school year, including tutoring, driver's education offered as part of school curriculum, regardless of whether it is taken from a public or private entity or summer camps, in grade or age appropriate curricula that supplement curricula and instruction available during the regular school year, that assists a dependent to improve knowledge of core curriculum areas or to expand knowledge and skills under the ~~graduation rule under section 120B.02, paragraph (e), clauses (1) to (7), (9), and (10)~~ required academic standards under section 120B.021, subdivision 1, and the elective standard under section 120B.022, subdivision 1, clause (3), 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 purchased or leased for use in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs;

(3) 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~~ required academic standards under section 120B.021, subdivision 1, and the elective standard under section 120B.022, subdivision 1, clause (3), 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 qualifying child attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363A.

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

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2003.

Sec. 8. Minnesota Statutes 2002, section 290.92, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] (1) [WAGES.] For purposes of this section, the term "wages" means the same as that term is defined in section 3401(a) and (f) of the Internal Revenue Code.

(2) [PAYROLL PERIOD.] For purposes of this section the term "payroll period" means a period for which a payment of wages is ordinarily made to the employee by the employee's employer, and the term "miscellaneous payroll period" means a payroll period other than a daily, weekly, biweekly, semimonthly, monthly, quarterly, semiannual, or annual payroll period.

(3) [EMPLOYEE.] For purposes of this section the term "employee" means any resident individual performing services for an employer, either within or without, or both within and without the state of Minnesota, and every nonresident individual performing services within the state of Minnesota, the performance of which services constitute, establish, and determine the relationship between the parties as that of employer and employee. As used in the preceding sentence, the term "employee" includes an officer of a corporation, and an officer, employee, or elected official of the United States, a state, or any political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing.

(4) [EMPLOYER.] For purposes of this section the term "employer" means any person, including individuals, fiduciaries, estates, trusts, partnerships, limited liability companies, and corporations transacting business in or deriving any income from sources within the state of Minnesota for whom an individual performs or performed any service, of whatever nature, as the employee of such person, except that if the person for whom the individual performs or performed the services does not have legal control of the payment of the wages for such services, the term "employer," except for purposes of paragraph (1), means the person having legal control of the payment of such wages. As used in the preceding sentence, the term "employer" includes any corporation, individual, estate, trust, or organization which is exempt from taxation under section 290.05 and further includes, but is not limited to, officers of corporations who have legal control, either individually or jointly with another or others, of the payment of the wages.

(5) [NUMBER OF WITHHOLDING EXEMPTIONS CLAIMED.] For purposes of this section, the term "number of withholding exemptions claimed" means the number of withholding exemptions claimed in a withholding exemption certificate in effect under subdivision 5, except that if no such certificate is in effect, the number of withholding exemptions claimed shall be considered to be zero.

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

Sec. 9. Minnesota Statutes 2002, section 290C.05, is amended to read:

290C.05 [ANNUAL CERTIFICATION.]

On or before July 1 of each year, beginning with the year after the claimant has received an approved application, the commissioner shall send each claimant enrolled under the sustainable forest incentive program a certification form. The claimant must sign the certification, attesting that the requirements and conditions for continued enrollment in the program are currently being met, and must return the signed certification form to the commissioner by August 15 of that same year. ~~Failure to~~ If the claimant does not return an annual certification form by the due date ~~shall result in removal of the lands from the provisions of the sustainable forest incentive program, and the imposition of any applicable removal penalty, the provisions in section 290C.11 apply. The claimant may appeal the removal and any associated penalty according to the procedures and within the time allowed under this chapter.~~

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

Sec. 10. [290C.055] [LENGTH OF COVENANT.]

The covenant remains in effect for a minimum of eight years. If land is removed from the program after it has been enrolled for less than four years, the covenant remains in effect for eight years from the date recorded.

In the case of land that has been enrolled for more than four years and is removed from the program for any reason, there is a four-year waiting period to end the covenant. The covenant remains in effect until January 1 of the fifth calendar year that begins after the date that:

(1) the commissioner receives notification from the claimant that the claimant wishes to be removed from the program under section 290C.10, or

(2) the date that land is removed from the program under section 290C.11.

Notwithstanding the other provisions of this section, the covenant is terminated at the same time that land is removed from the program due to acquisition of title or possession for a public purpose under section 290C.10.

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

Sec. 11. Minnesota Statutes 2002, section 325D.33, subdivision 6, is amended to read:

Subd. 6. [VIOLATIONS.] If the commissioner determines that a distributor is violating any provision of this chapter, the commissioner must give the distributor a written warning explaining the violation and an explanation of what must be done to comply with this chapter. Within ten days of issuance of the warning, the distributor must notify the commissioner that the distributor has complied with the commissioner's recommendation or request that the commissioner set the issue for a hearing pursuant to chapter 14. If a hearing is requested, the hearing shall be scheduled within 20 days of the request and the recommendation of the administrative law judge shall be issued within five working days of the close of the hearing. The commissioner's final determination shall be issued within five working days of the receipt of the administrative law judge's recommendation. If the commissioner's final determination is adverse to the distributor and the distributor does not comply within ten days of receipt of the commissioner's final determination, the commissioner may order the distributor to immediately cease the stamping of cigarettes. As soon as practicable after the order, the commissioner must remove the meter and any unapplied cigarette stamps from the premises of the distributor.

If within ten days of issuance of the written warning the distributor has not complied with the commissioner's recommendation or requested a hearing, the commissioner may order the distributor to immediately cease the stamping of cigarettes and remove the meter and unapplied stamps from the distributor's premises.

~~If, within any 12-month period, the commissioner has issued three written warnings to any distributor, even if the distributor has complied within ten days, the commissioner shall notify the distributor of the commissioner's intent to revoke the distributor's license for a continuing course of conduct contrary to this chapter. For purposes of this paragraph, a written warning that was ultimately resolved by removal of the warning by the commissioner is not deemed to be a warning. The commissioner must notify the distributor of the date and time of a hearing pursuant to chapter 14 at least 20 days before the hearing is held. The hearing must provide an opportunity for the distributor to show cause why the license should not be revoked. If the commissioner revokes a distributor's license, the commissioner shall not issue a new license to that distributor for 180 days.~~

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

Sec. 12. Minnesota Statutes 2002, section 473.843, subdivision 5, is amended to read:

Subd. 5. [PENALTIES; ENFORCEMENT.] The audit, penalty, and enforcement provisions applicable to corporate franchise taxes imposed under chapter 290 apply to the fees imposed under this section. The commissioner of revenue shall administer the provisions.

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

Sec. 13. [REPEALER.]

Minnesota Rules, parts 8093.2000 and 8093.3000, are repealed.

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

Delete the title and insert:

"A bill for an act relating to financing and operation of state and local government; making policy, technical, administrative, enforcement, collection, refund, and other changes to income, franchise, property, sales and use, estate, vehicle registration, health care provider, cigarette and tobacco products, insurance premiums, aggregate removal, petroleum, gambling, mortgage registry, occupation, net proceeds, and production taxes, and other taxes and tax-related provisions; changing provisions relating to fiscal disparities, tax-forfeited lands, state debt collection procedures, sustainable forest incentives programs, and tax data provisions; conforming provisions to certain changes in federal law; changing powers and duties of certain local governments and state departments or agencies; changing tax increment financing provisions; authorizing establishment of an International Economic Development Zone and providing for tax incentives; imposing a franchise fee for operation of card clubs; regulating tax preparers; imposing requirement on vendors that contract with state to collect sales taxes; changing provisions relating to certificates of title of vehicles held by motor vehicle dealers; changing or providing for studies and reports; providing for task force on electronic filing and recording of real estate documents; changing and providing penalties; providing for allocation and transfers of funds; clarifying appropriations; appropriating money; amending Minnesota Statutes 2002, sections 16C.03, by adding a subdivision; 16D.10; 97A.061, subdivision 1; 144F.01, subdivision 10; 168A.02, subdivision 2; 168A.11, subdivisions 1, 2, by adding a subdivision; 240.30, by adding a subdivision; 270.02, subdivision 3; 270.65; 270.69, subdivision 4; 270B.01, subdivision 8; 270B.12, subdivision 9; 272.01, subdivision 2; 272.02, subdivisions 1a, 7, 22, by adding subdivisions; 272.0212, subdivisions 1, 2; 272.029, subdivisions 4, 6; 273.11, by adding a subdivision; 273.111, subdivision 6; 273.124, subdivision 8, by adding a subdivision; 273.1384, subdivision 1; 273.19, subdivision 1a; 274.14; 275.065, subdivision 1a; 275.07, subdivisions 1, 4; 276.04, subdivision 2; 282.016; 282.21; 282.224; 282.301; 287.04; 289A.08, subdivision 1; 289A.12, subdivision 3; 289A.31, subdivision 2; 289A.37, subdivision 5; 289A.38, subdivision 6; 289A.56, by adding a subdivision; 289A.60, subdivision 6; 290.06, subdivision 22, by adding a subdivision; 290.0674, subdivision 2; 290.091, subdivision 3; 290.17, by adding a subdivision; 290.191, subdivisions 2, 3, 5, 6, 10, 11, by adding a subdivision; 290.92, subdivisions 1, 4b; 290.9705, subdivision 1; 290A.03, subdivision 13; 290A.07, by adding a subdivision; 290C.05; 295.50, subdivision 4; 295.582; 296A.22, by adding a subdivision; 297A.61, subdivision 4, by adding subdivisions; 297A.62, by adding a subdivision; 297A.67, by adding a subdivision; 297A.68, by adding subdivisions; 297A.70, by adding a subdivision; 297A.71, by adding a subdivision; 297A.87, subdivisions 2, 3; 297A.995, subdivision 6; 297E.01, subdivisions 5, 7, by adding subdivisions; 297E.07; 297F.01, by adding a subdivision; 297F.09, by adding a subdivision; 297I.01, by adding subdivisions; 297I.05, subdivisions 4, 5, by adding a subdivision; 298.01, subdivisions 3, 4; 298.24, subdivision 1; 325D.33, subdivision 6; 365.43, subdivision 1; 365.431; 469.1734, subdivision 6; 469.174, subdivision 11; 469.175, subdivision 4a; 469.176, subdivision 4d; 469.1761, subdivisions 1, 3; 469.1771, subdivision 5; 469.178, subdivision 1; 469.1831, subdivision 6; 473.843, subdivision 5; 473F.02, subdivisions 2, 7; 477A.11, subdivision 4, by adding a subdivision; 477A.12, subdivisions 1, 2; 477A.14, subdivision 1; Minnesota Statutes 2003 Supplement, sections 4A.02; 16A.152, subdivision 2; 116J.556; 168A.05, subdivision 1a; 270.06; 270.30, subdivisions 1, 5, 8; 270B.12, subdivision 13; 272.02, subdivisions 47, 56, 65; 273.11, subdivision 1a; 274.014, subdivision 3; 275.065, subdivision 3; 276.112; 289A.02, subdivision 7; 289A.08, subdivision 16; 289A.19, subdivision 4; 289A.40, subdivision 2; 290.01, subdivisions 7, 19, 19a, 19b, 19c, 19d, 31; 290.0674, subdivision 1; 290.091, subdivision 2; 290.0921, subdivision 3; 290A.03, subdivision 15; 290C.10; 291.005, subdivision 1; 291.03, subdivision 1; 297A.668, subdivisions 1, 3, 5; 297A.669, subdivision 16; 297A.68, subdivisions 2, 5, 39; 297A.70, subdivision 8; 297F.08, subdivision 12; 297F.09, subdivisions 1, 2; 298.75, subdivision 1; 469.174, subdivision 25; 469.177, subdivision 1; 469.310, subdivision 11; 469.330, subdivision 11; 469.335; 469.337; 477A.011, subdivision 36; 477A.03, subdivision 2b; Laws 1990, chapter 604, article 7, section 29, subdivision 1, as amended; Laws 1998, chapter 389, article 3, section 41; Laws 1998, chapter 389, article 3, section 42, subdivision 2, as amended; Laws 1998, chapter 389, article 8, section 43, subdivision 3; Laws 1998, chapter 389, article 11, section 24, subdivisions 1, 2; Laws 2000, chapter 391, section 1, subdivisions 1, 2, as amended; Laws 2001, First Special Session chapter 10, article 2, section 77, as amended; Laws 2002, chapter 365, section 9; Laws 2002, chapter 377, article 3, section 4; Laws 2003, First Special Session chapter 1, article 2, section 123; Laws 2003, First Special Session chapter 21, article 5, section 13; Laws 2003, First Special

Session chapter 21, article 6, section 9; proposing coding for new law in Minnesota Statutes, chapters 270; 272; 273; 290; 290C; 297F; 325F; 469; 473; repealing Minnesota Statutes 2002, sections 273.19, subdivision 5; 274.05; 275.15; 283.07; 297E.12, subdivision 10; 469.176, subdivision 1a; 469.1766; Laws 1975, chapter 287, section 5; Laws 2003, chapter 127, article 9, section 9, subdivision 4; Minnesota Rules, parts 8093.2000; 8093.3000; 8130.0110, subpart 4; 8130.0200, subparts 5, 6; 8130.0400, subpart 9; 8130.1200, subparts 5, 6; 8130.2900; 8130.3100, subpart 1; 8130.4000, subparts 1, 2; 8130.4200, subpart 1; 8130.4400, subpart 3; 8130.5200; 8130.5600, subpart 3; 8130.5800, subpart 5; 8130.7300, subpart 5; 8130.8800, subpart 4."

With the recommendation that when so amended the bill pass and be re-referred to the Committee on Ways and Means.

The report was adopted.

SECOND READING OF SENATE BILLS

S. F. Nos. 1639, 2009, 2494 and 2851 were read for the second time.

INTRODUCTION AND FIRST READING OF HOUSE BILLS

The following House Files were introduced:

Westerberg; Abeler; Olson, M.; Erhardt; Tingelstad; Lindner; Dempsey; Nornes; Severson and Jaros introduced:

H. F. No. 3183, A bill for an act relating to taxation; imposing a "dime-a-drink" tax on alcoholic beverages; increasing the tax on cigarettes and tobacco products; eliminating the MinnesotaCare tax on health care providers; making conforming changes; amending Minnesota Statutes 2002, sections 62Q.095, subdivision 6; 214.16, subdivisions 2, 3; 297F.05, subdivisions 3, 4; 297F.10, subdivision 2; 297G.05, subdivisions 1, 2; 297G.10; Minnesota Statutes 2003 Supplement, sections 270.06; 270B.14, subdivision 1; 297F.05, subdivision 1; 297F.10, subdivision 1; proposing coding for new law in Minnesota Statutes, chapters 16A; 297F; 297G; repealing Minnesota Statutes 2002, sections 13.4967, subdivision 3; 295.50, subdivisions 1, 2, 2a, 3, 4, 6, 6a, 7, 9c, 10a, 10b, 12b, 13, 14, 15; 295.51; 295.52; 295.53, subdivisions 2, 3, 4a; 295.54; 295.55, subdivisions 1, 3, 4, 5, 6, 7; 295.56; 295.57; 295.58; 295.581; 295.582; 295.59; Minnesota Statutes 2003 Supplement, sections 295.50, subdivision 9b; 295.53, subdivision 1; 295.55, subdivision 2.

The bill was read for the first time and referred to the Committee on Taxes.

Juhnke introduced:

H. F. No. 3184, A bill for an act relating to education finance; authorizing a special levy for Common School District No. 815, Prinsburg.

The bill was read for the first time and referred to the Committee on Education Finance.

Ellison introduced:

H. F. No. 3185, A resolution affirming the Minnesota Legislature's commitment to the civil freedoms guaranteed by the constitutions of Minnesota and the United States.

The bill was read for the first time and referred to the Committee on Judiciary Policy and Finance.

REPORT FROM THE COMMITTEE ON RULES AND LEGISLATIVE ADMINISTRATION

Paulsen from the Committee on Rules and Legislative Administration, pursuant to rule 1.21, designated the following bills to be placed on the Calendar for the Day for Thursday, April 22, 2004:

H. F. Nos. 2637, 2425, 1392 and 2017; S. F. Nos. 2300 and 2009; and H. F. No. 2386.

CALENDAR FOR THE DAY

Paulsen moved that the Calendar for the Day be continued. The motion prevailed.

MOTIONS AND RESOLUTIONS

Kohls moved that the name of Nelson, C., be added as an author on H. F. No. 1817. The motion prevailed.

Kelliher moved that the name of Abrams be added as an author on H. F. No. 2146. The motion prevailed.

Lanning moved that the name of Tingelstad be added as an author on H. F. No. 2525. The motion prevailed.

Nelson, C., moved that the name of Demmer be added as an author on H. F. No. 3174. The motion prevailed.

Haas moved that H. F. No. 2135 be recalled from the Committee on Ways and Means and be re-referred to the Committee on Taxes. The motion prevailed.

Slawik, Rhodes, Davnie, Sykora and Seagren introduced:

House Resolution No. 23, A House resolution recognizing April 18-24, 2004, as the Week of the Young Child in Minnesota.

The resolution was referred to the Committee on Rules and Legislative Administration.

ADJOURNMENT

Paulsen moved that when the House adjourns today it adjourn until 12:00 noon, Thursday, April 22, 2004. The motion prevailed.

Paulsen moved that the House adjourn. The motion prevailed, and the Speaker declared the House stands adjourned until 12:00 noon, Thursday, April 22, 2004.

EDWARD A. BURDICK, Chief Clerk, House of Representatives