

STATE OF MINNESOTA

EIGHTY-NINTH SESSION — 2015

 FORTY-SEVENTH DAY

SAINT PAUL, MINNESOTA, SATURDAY, APRIL 25, 2015

The House of Representatives convened at 11:00 a.m. and was called to order by Kurt Daudt, Speaker of the House.

Prayer was offered by the Reverend Mary Kitchell, Silver Lake United Methodist Church, Oakdale, 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:

Albright	Dettmer	Hoppe	Lucero	O'Driscoll	Smith
Allen	Drazkowski	Hornstein	Lueck	O'Neill	Sundin
Anderson, M.	Erhardt	Hortman	Mack	Pelowski	Swedzinski
Anderson, P.	Erickson	Howe	Mahoney	Peppin	Theis
Anderson, S.	Fabian	Isaacson	Mariani	Persell	Thissen
Anzelc	Fenton	Johnson, B.	Marquart	Petersburg	Torkelson
Applebaum	Fischer	Johnson, C.	Masin	Peterson	Uglen
Backer	Franson	Johnson, S.	McDonald	Pierson	Urdahl
Barrett	Freiberg	Kelly	McNamara	Pinto	Vogel
Bennett	Garofalo	Kiel	Melin	Poppe	Wagenius
Bernardy	Green	Knoblach	Metsa	Pugh	Ward
Bly	Gruenhagen	Koznick	Miller	Quam	Whelan
Carlson	Gunther	Kresha	Moran	Rarick	Wills
Christensen	Hackbarth	Laine	Mullery	Runbeck	Yarusso
Clark	Halverson	Lenczewski	Murphy, E.	Sanders	Youakim
Considine	Hamilton	Lesch	Murphy, M.	Schoen	Zerwas
Cornish	Hancock	Lien	Nash	Schomacker	Spk. Daudt
Daniels	Hansen	Lillie	Nelson	Schultz	
Davids	Hausman	Loeffler	Newberger	Scott	
Davnie	Heintzeman	Lohmer	Newton	Selcer	
Dean, M.	Hertaus	Loon	Nornes	Simonson	
Dehn, R.	Hilstrom	Loonan	Norton	Slocum	

A quorum was present.

Baker and Rosenthal were excused.

Winkler was excused until 12:00 noon. Atkins was excused until 12:20 p.m. Liebling was excused until 1:05 p.m. Kahn was excused until 1:10 p.m. Dill was excused until 1:25 p.m.

The Chief Clerk proceeded to read the Journal of the preceding day. There being no objection, further reading of the Journal was dispensed with and the Journal was approved as corrected by the Chief Clerk.

REPORTS OF CHIEF CLERK

S. F. No. 878 and H. F. No. 849, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

Cornish moved that S. F. No. 878 be substituted for H. F. No. 849 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1458 and H. F. No. 1638, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

Dean, M., moved that S. F. No. 1458 be substituted for H. F. No. 1638 and that the House File be indefinitely postponed. The motion prevailed.

REPORTS OF STANDING COMMITTEES AND DIVISIONS

Knoblach from the Committee on Ways and Means to which was referred:

H. F. No. 848, A bill for an act relating to financing and operation of state and local government; making changes to individual income, corporate franchise, property, sales and use, excise, estate, mineral, tobacco, gambling, special, local, and other taxes and tax-related provisions; providing for long-term care savings plans; modifying business income tax credits; modifying income tax subtractions and additions; modifying the definition of resident for income tax purposes; modifying the dependent care credit, education credit, and research credit; providing credits for MNsure premium payments, attaining a master's degree, student loan payments, college savings plans, and job training centers; modifying reciprocity provisions; providing an additional personal and dependent exemption; allowing a reverse referendum for property tax levies under certain circumstances; modifying dates for local referenda related to spending; changing proposed levy certification dates for special taxing districts; modifying general property tax provisions; providing for joint county and township assessment agreements; modifying the definition of agricultural homestead; modifying property classification definitions; permanently extending the market value exclusion for surviving spouses of deceased service members and permanently disabled veterans; modifying provisions for appeals and equalizations courses; providing a tax credit for overvalued property; modifying and phasing out the state general levy; modifying proposed levy provisions; modifying due dates for property taxes; changing withdrawal procedures for the Sustainable Forest Incentive Program; authorizing valuation exclusion for certain improvements to homestead and commercial-industrial property; providing an increased estate tax exemption amount and other estate tax provisions; providing for certain economic development projects; providing for the Minnesota New Markets Jobs Act; restricting expenditures and other powers related to certain rail projects; providing for additional border city zone allocations; modifying general tax increment financing provisions; modifying provisions for the Destination Medical Center; modifying general and local sales and use tax provisions; modifying sales tax definitions and refunds related to petroleum and special fuel, durable medical equipment, instructional materials, propane tanks, bullion, capital equipment, and nonprofit groups; providing for a vendor allowance; providing exemptions for animal shelters, city celebrations, BMX tracks, and certain building and construction materials; repealing the tax on digital products; providing a separate rate for certain modular housing; modifying gambling taxes; providing a definition and rate of tax for vapor products under the tobacco tax; modifying cigarette stamp provisions; modifying rates for pull tabs sold at bingo halls; modifying miscellaneous tax provisions; modifying sales tax deposits, accounts, and provisions for transportation purposes; modifying local government aids and credits; providing for a school building bond agricultural credit; modifying assessor accreditation; accelerating the repeal of MinnesotaCare provider taxes; creating a county program aid working group; establishing trust fund accounts; providing trust fund payments to counties; modifying provisions related to

payments in lieu of taxes for natural resources land; repealing the political contribution refund; making various conforming and technical changes; requiring reports; appropriating money; amending Minnesota Statutes 2014, sections 16A.726; 40A.18, subdivision 2; 62V.05, subdivision 5; 97A.055, subdivision 2; 97A.056, subdivision 1a, by adding subdivisions; 116J.8737, subdivisions 5, 12; 116P.02, subdivision 1, by adding a subdivision; 123B.63, subdivision 3; 126C.17, subdivision 9; 205.10, subdivision 1; 205A.05, subdivision 1; 216B.46; 237.19; 270A.03, subdivision 7; 270C.13, subdivision 1; 270C.9901; 273.061, subdivision 4; 273.072, by adding a subdivision; 273.124, subdivision 14; 273.13, subdivisions 23, 25, 34; 274.014, subdivision 2; 275.025; 275.065, subdivisions 1, 3; 275.07, subdivisions 1, 2; 275.08, subdivision 1b; 275.60; 276.04, subdivisions 1, 2; 278.12; 279.01, subdivisions 1, 3; 279.37, subdivision 2; 282.01, subdivision 4; 282.261, subdivision 2; 289A.02, subdivision 7, as amended; 289A.10, subdivision 1; 289A.12, by adding a subdivision; 289A.20, subdivision 4; 289A.50, subdivision 1; 290.01, subdivisions 6, 7, 19, as amended, 19a, 19b, 19d, 29, 31, as amended; 290.06, by adding subdivisions; 290.067, subdivision 1; 290.0671, subdivisions 1, 6a; 290.0672, subdivision 2; 290.0674, subdivisions 1, 2, by adding a subdivision; 290.0677, subdivision 2; 290.068, subdivisions 1, 3, 6a, by adding a subdivision; 290.081; 290.091, subdivision 2; 290.191, subdivision 5; 290A.03, subdivision 15, as amended; 290C.10; 291.005, subdivision 1, as amended; 291.016, subdivision 3; 291.03, subdivisions 1, 1d; 296A.01, subdivision 12; 296A.08, subdivision 2; 296A.16, subdivision 2; 297A.61, subdivisions 3, 4, 38; 297A.62, subdivision 3; 297A.668, subdivisions 1, 2, 6a, 7; 297A.669, subdivision 14a; 297A.67, subdivisions 7a, 13a, by adding subdivisions; 297A.68, subdivisions 5, 19; 297A.70, subdivisions 4, 10, 14, by adding subdivisions; 297A.71, by adding subdivisions; 297A.75, subdivisions 1, 2, 3; 297A.77, subdivision 3; 297A.815, subdivision 3; 297A.94; 297A.992, subdivisions 1, 6, 6a, by adding a subdivision; 297A.994, subdivision 4; 297E.02, subdivisions 1, 6; 297F.01, subdivision 19, by adding subdivisions; 297F.05, subdivisions 1, 3, by adding subdivisions; 297F.06, subdivisions 1, 4; 297F.08, subdivisions 5, 7, 8; 297F.09, subdivision 1; 297I.20, by adding a subdivision; 298.24, subdivision 1; 309.53, subdivision 3; 349.12, by adding a subdivision; 412.221, subdivision 2; 412.301; 426.19, subdivision 2; 447.045, subdivisions 2, 3, 4, 6, 7; 452.11; 455.24; 455.29; 459.06, subdivision 1; 469.053, subdivision 5; 469.0724; 469.107, subdivision 2; 469.169, by adding a subdivision; 469.174, subdivisions 12, 14; 469.175, subdivision 3; 469.176, subdivisions 4, 4c; 469.1761, by adding a subdivision; 469.1763, subdivisions 1, 2, 3; 469.178, subdivision 7; 469.190, subdivisions 1, 5; 469.40, subdivision 11, as amended; 469.43, by adding a subdivision; 469.45, subdivisions 1, 2; 469.47, subdivision 4, as amended; 471.57, subdivision 3; 471.571, subdivision 3; 471.572, subdivisions 2, 4; 473.13, by adding a subdivision; 473.39, by adding a subdivision; 473.446, subdivision 1; 473H.09; 473H.17, subdivision 1a; 475.59; 477A.013, subdivision 10, by adding a subdivision; 477A.017, subdivision 2, by adding a subdivision; 477A.03, subdivisions 2a, 2b; 477A.10; 477A.11, by adding subdivisions; 609.5316, subdivision 3; 611.27, subdivisions 13, 15; Laws 1980, chapter 511, sections 1, subdivision 2, as amended; 2, as amended; Laws 1991, chapter 291, article 8, section 27, subdivisions 3, as amended, 4, as amended, 5, 6; Laws 1996, chapter 471, article 3, section 51; Laws 1999, chapter 243, article 4, section 18, subdivision 1, as amended; Laws 2008, chapter 366, article 7, section 20; Laws 2009, chapter 88, article 5, section 17, as amended; Laws 2011, First Special Session chapter 9, article 6, section 97, subdivision 6; Laws 2014, chapter 308, article 6, section 7; proposing coding for new law in Minnesota Statutes, chapters 11A; 16A; 16B; 116J; 116P; 117; 273; 274; 275; 290; 297A; 416; 459; 473; 477A; 609; proposing coding for new law as Minnesota Statutes, chapter 116X; repealing Minnesota Statutes 2014, sections 10A.322, subdivision 4; 13.4967, subdivision 2; 205.10, subdivision 3; 290.06, subdivision 23; 290.067, subdivisions 2, 2a, 2b; 297A.61, subdivisions 50, 51, 52, 53, 54, 55, 56; 297A.992, subdivision 12; 297F.05, subdivision 1a; 477A.017, subdivision 3; 477A.085; 477A.19; Minnesota Rules, part 4503.1400, subpart 4.

Reported the same back with the following amendments:

Page 17, delete lines 1 and 2 and insert:

"EFFECTIVE DATE. This section is effective the day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time as the changes were effective for federal purposes."

Page 30, line 20, after "2015" insert ", provided that no refunds may be paid under this section before July 1, 2016"

Page 86, line 35, after "years." insert "ending no more than four years before the owner of the property first applies for qualification under this clause."

Page 87, after line 10, insert:

"The application for enrollment must provide the information required under clause (i), except that no information regarding the operator of the farm is required, and the owner must submit evidence that the ten-year requirement has been met."

Page 90, line 23, delete "2015" and insert "2016"

Page 94, line 8, after "sale" insert ", including the bottling of wine produced by a farm winery."

Page 96, line 4, delete "2016" and insert "2017"

Page 102, line 5, delete "2016" and insert "2017"

Page 108, line 29, delete "(a)"

Page 109, line 1, after the second "due" insert "over a prescribed period of years"

Page 109, delete lines 14 to 16

Page 111, line 5, delete "the first half payment is due prior to" and insert "penalty does not accrue until" and after "1" insert "of each year"

Page 124, line 32, delete "2018" and insert "2019"

Page 128, line 8, delete "October 1, 2015" and insert "December 31, 2016"

Page 128, line 10, delete "100" and insert "95"

Page 128, delete lines 35 to 36 and insert:

"Subd. 13. Tax liability. "Tax liability" means (1) the liability for tax under chapter 290, or (2) the liability for tax incurred by any entity under chapter 297I."

Page 129, delete lines 1 to 7

Page 129, line 12, delete "state premium" and delete "on a premium tax report filed"

Page 129, line 20, delete "state premium"

Page 130, line 11, delete "October 1, 2015" and insert "December 31, 2016"

Page 131, line 3, after the semicolon, insert "and"

Page 131, line 5, delete "; and" and insert a period

Page 131, delete line 6

Page 131, line 11, delete "and the refundable performance fee"

Page 132, line 14, delete "60 days" and insert "two years"

Page 132, line 21, delete "60 days" and insert "two years"

Page 133, line 25, delete "the amount" and insert "one-half of one percent of the equity investment."

Page 133, delete lines 26 and 27

Page 134, delete section 10

Page 135, after line 24, insert:

"Sec. 13. **[290.0693] NEW MARKETS TAX CREDIT.**

Subdivision 1. **Definition.** For purposes of this section, "qualified equity investment" has the meaning given in section 116X.01, subdivision 1.

Subd. 2. **Credit allowed.** A taxpayer that makes a qualified equity investment is allowed a credit against the tax imposed under this chapter equal to the amount provided under section 116X.03.

Subd. 3. **Audit powers.** Notwithstanding any issuance of credit by the commissioner of employment and economic development under section 116X.05, the commissioner may utilize any audit and examination powers under chapter 270C or 289A to the extent necessary to verify that the taxpayer is eligible for the credit and to assess for the amount of any improperly claimed credit.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014."

Page 136, line 9, after "county," insert "special taxing district,"

Page 136, line 15, after "cities" insert ", special taxing districts,"

Page 136, line 18, after the period, insert "Special taxing district has the meaning given in section 275.066."

Page 137, line 1, delete "thereafter"

Page 223, line 23, after "2016" insert "and thereafter"

Page 223, line 31, after the stricken period, insert "Any amount retained from the 2015 allocation for costs of court-ordered counsel under this subdivision and not used for reimbursement shall be included in the distribution of county need aid for calendar year 2016."

Page 223, line 32, after "2015" insert "and thereafter"

Page 225, after line 27, insert:

"Sec. 19. **CALENDAR YEAR 2015 EARLY PAYMENT TO CERTAIN CITIES.**

Notwithstanding Minnesota Statutes, section 477A.015, the commissioner of revenue shall pay a percentage of the July 20, 2015, aid payments under Minnesota Statutes, sections 477A.011 to 477A.013 to cities with a 2013 population of 80,000 or more, by June 22, 2015. The percentage of the aid paid in June for each city will be equal and set to the amount so that total June payments equal \$18,750,000. The first payment to each city on or after July 20, 2015, shall be reduced by the amount of its June payment amount.

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

Page 233, line 18, after "county" insert ", home rule charter or statutory city, or town"

Page 237, line 7, after "fund" insert a comma

Page 240, line 23, delete "\$100,000,000" and insert "\$150,000,000"

ReNUMBER the sections in sequence and correct the internal references

Correct the title numbers accordingly

With the recommendation that when so amended the bill be placed on the General Register.

MINORITY REPORT

April 24, 2015

I, the undersigned, being a minority of the Committee on Ways and Means, recommend that H. F. No. 848 be amended as follows and placed on the General Register.

Page 5, delete section 2

Page 21, line 28, before the period, insert ", and tuition for each 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"

Page 25, lines 34 and 35, delete "20" and insert "25" in both places

Page 30, delete section 16

Page 30, after line 10, insert:

"Sec. 14. **[290.016] CONTINGENT FEDERAL CONFORMITY; TAX YEARS 2015 AND 2016.**

Subdivision 1. Legislative purpose. (a) The legislature intends this section to provide a mechanism for conforming the Minnesota individual income and corporate franchise taxes to federal tax legislation that Congress regularly passes after the legislature has adjourned and that affect a taxable year that ends before the legislature

reconvenes in a regular legislative session. In recent years, Congress has repeatedly passed tax laws late in the year, often in November or December, that affect computation of the tax for that taxable year. Many of these changes affect computation of Minnesota tax through its linkage to federal taxable income or other provisions of federal law. The federal changes consist mainly of extending provisions that reduce revenues and that are scheduled to expire so that Congress can create the appearance that it is not permanently reducing the federal budget in enacting these provisions. Because the legislature does not reconvene in regular legislative session until January, at the earliest under the Minnesota Constitution, after the end of the taxable year and because Minnesota law is linked to federal law as it exists on a specific date, taxpayers and the Department of Revenue must assume that Minnesota law does not include the effect of these federal extenders, even though the legislature regularly adopts most of the federal provisions retroactively in the next legislative session. This situation affects the ability to determine how to comply with and administer Minnesota income tax law, causing delay, uncertainty, and added costs for all concerned and making it difficult for taxpayers to do routine tax planning.

(b) The purpose of this section is to provide clear notice to the taxpayers, software providers, tax preparers, and the Department of Revenue as to how Minnesota law will treat these federal extender provisions when congress adopts them. The mechanism is intended to allow for timely preparation of forms, modification of software, and a prompt and smooth start to the Minnesota tax filing season as the congressional action will allow, given that the legislature may not be in session until after the start of the filing season. Absent this or a similar mechanism, taxpayers and the Department of Revenue will be unable to determine how to compute their tax liability until the legislature can convene and pass a new law, which it may not be practical to do until well after the tax filing season has begun. This is especially true in 2016 when reconstruction of the Capitol may delay the reconvening of the legislature. The legislature's intent, as expressed in the substantive provisions of this section, is to conform to the federal extenders, including minor modifications of them, in order to make Minnesota tax law easier to comply with and administer. The legislature also recognizes that the primary effect of this situation is to reduce taxes and is allocating a specific dollar amount that will be used for tax reductions without regard to the action that Congress takes.

(c) By expressing its clear intent regarding specific federal provisions and providing guidance as to how to treat the federal extender provisions, the legislature is exercising its legislative power and is not unconstitutionally delegating to Congress or the commissioner of revenue the authority to determine Minnesota tax law. The legislature believes that this section is consistent with the Minnesota Supreme Court's ruling in the case of Wallace v. Commissioner of Taxation, 289 Minn. 220 (1971).

Subd. 2. Contingent federal conformity account established; transfer. (a) A contingent federal conformity account is established in the general fund. Money in the account is available for transfer to the general fund to offset the reduction in general fund revenues resulting from conforming Minnesota tax law to federal law under this section, if congress enacts a law that extends an eligible federal tax preference to apply to a taxable year beginning after December 31, 2014, and before January 1, 2017.

(b) \$105,000,000 is transferred from the general fund to the contingent federal conformity account, effective July 1, 2015. Of this amount, \$68,000,000 is set aside to offset the revenue loss from conforming to eligible federal preferences for taxable years beginning during calendar year 2015 and \$37,000,000 for taxable years beginning during calendar year 2016. Any amount allocated for 2015 that is not used is carried over to 2016.

(c) Any amounts not used under paragraph (b) must be used to increase the additional personal and dependent exemption provided in this article. To carry out this requirement, the commissioner shall, for taxable years beginning during 2017, increase the factor used to multiply federal personal exemptions to determine the additional personal and dependent exemption amount from one-quarter to the percentage rate, rounded to the nearest percentage point, sufficient to eliminate any remaining amounts in the contingent federal conformity account. The resulting increase in the additional exemption percentage is a onetime adjustment.

Subd. 3. **Eligible federal tax preferences.** For purposes of this section and section 290.01, the term "eligible federal tax preferences" means any of the following items that are not in effect under the Internal Revenue Code for either the taxable years beginning during calendar year 2015 or 2016:

(1) discharge of qualified principal residence indebtedness under subparagraph (E), section 108(a)(1), of the Internal Revenue Code;

(2) qualified tuition and related expenses under section 222 of the Internal Revenue Code;

(3) expenses of elementary and secondary school teachers under subparagraph (D), section 62(a)(2), of the Internal Revenue Code;

(4) mortgage insurance premiums treated as qualified residence interest under subparagraph (E), section 163(h)(3), of the Internal Revenue Code;

(5) the special rule for contributions of capital gain real property made for conservation purposes under sections 170(b)(1)(E) and 170(b)(2)(B) of the Internal Revenue Code;

(6) tax-free distributions from individual retirement accounts for charitable purposes under section 408(d)(8) of the Internal Revenue Code;

(7) classification of certain race horses as 3-year property under clauses (i) and (ii) of section 168(e)(3)(A) of the Internal Revenue Code;

(8) 15-year straight-line cost recovery for qualified leasehold improvements, qualified restaurant buildings and improvements, and qualified retail improvements under clauses (iv), (v), and (ix) of section 168(e)(3)(E) of the Internal Revenue Code;

(9) 7-year recovery period for motorsports entertainment complexes under section 168(i)(15) of the Internal Revenue Code;

(10) accelerated depreciation for business property on an Indian reservation under section 168(j) of the Internal Revenue Code;

(11) enhanced deduction for contributions of food inventory under section 170(e)(3)(C) of the Internal Revenue Code;

(12) election to expense mine safety equipment under section 179E of the Internal Revenue Code;

(13) special expensing rules for certain film and television productions under section 181 of the Internal Revenue Code;

(14) modification of tax treatment of certain payments to controlling exempt organizations under subparagraph (E), section 512(b)(13), of the Internal Revenue Code;

(15) treatment of certain dividends of regulated investment companies under section 871(k) of the Internal Revenue Code;

(16) subpart F exception for active financing income under section 953(e) of the Internal Revenue Code;

(17) temporary exclusion of 100 percent of gain on certain small business stock under section 1202(a) of the Internal Revenue Code;

(18) basis adjustment of stock of S corporations making charitable contributions of property under section 1367(a) of the Internal Revenue Code;

(19) reduction in S corporation recognition period for built-in gains tax under section 1374(d)(7) of the Internal Revenue Code;

(20) special allowance for second-generation biofuel plant property under section 168(l) of the Internal Revenue Code;

(21) energy efficient commercial buildings deduction under section 179D of the Internal Revenue Code; and

(22) the \$500,000 and \$2,000,000 limitations under section 179 of the Internal Revenue Code.

Subd. 4. Designation of qualifying federal conformity items. (a) If following final adjournment of the 2015 Minnesota legislature or final adjournment of the 2016 Minnesota legislature, congress enacts a law that extends one or more of the eligible federal tax preferences respectively to taxable years beginning during calendar year 2015 or to taxable years beginning during calendar year 2016, the commissioner shall prepare a list of qualifying federal conformity items and publish it on the Department of Revenue's Web site within 30 days following enactment of the law. In preparing the list, the commissioner shall estimate the reduction in revenue resulting from allowing the eligible federal tax preferences, including the effect of subdivision 8, for the current and succeeding fiscal year only. The commissioner shall not include an item on the list of qualifying federal conformity items if its inclusion would cause the estimated total reduction in general fund revenues to exceed the amount available in the contingent federal conformity account for transfer to the general fund for the taxable year.

(b) In determining whether there are sufficient funds in the account, the commissioner shall consider the provisions of subdivision 8 as the first item to include on the list of qualifying conformity items, and shall consider the \$500,000 and \$2,000,000 limits under section 179 of the Internal Revenue Code as the last item to include on the list of qualifying conformity items. If there are insufficient funds in the account to offset full conformity to section 179 deductions in the taxable year the expense is allowed for federal purposes, then the provisions of section 290.01, subdivisions 19a, clause (8); 19b, clause (13); 19c, clause (13); and 19d, clause (15), apply to determine the appropriate taxable year in which the section 179 expenses are allowed. If there are insufficient funds in the account to offset full conformity for all of the eligible federal tax preferences other than section 179, the commissioner shall apply the following priorities in determining which items to include:

(1) the effect of all the eligible federal tax preferences on computation of federal adjusted gross income and household income under chapter 290A is the first priority;

(2) the items in subdivision 3, clauses (6) to (21), in that order, are the second priority;

(3) the items in subdivision 3, clauses (1) to (5), in that order, are the third priority; and

(4) the effect of the federal law on computation of Minnesota tax credits is the last priority.

(c) In determining whether to include an eligible federal tax preference on the list of qualifying federal conformity items, the commissioner may include items in which nonmaterial changes were made in the federal law extending allowance of the eligible federal tax preferences, as compared to the provision that was in effect for the prior federal taxable year. For purposes of this determination, nonmaterial changes are limited to changes that are estimated to increase or decrease Minnesota tax revenues by no more than \$1,000,000 for the affected eligible federal tax preference item.

Subd. 5. **Provisions in effect.** (a) For purposes of determining tax and credits under this chapter, including the taxes under sections 290.091 and 290.0921, and household income under chapter 290A, qualifying federal conformity items and bonus depreciation rules under subdivision 8 apply for the relevant taxable year and all the provisions of this chapter apply as if the definition of the Internal Revenue Code under section 290.01, subdivision 31, included the amendments to the qualifying federal conformity items.

(b) The commissioner shall administer the taxes under this chapter and refunds under chapter 290A as if Minnesota had conformed to the federal definitions of net income, adjusted gross income, and tax credits that affect computation of Minnesota taxes or refunds resulting from extension of the qualifying federal conformity items.

Subd. 6. **Forms preparation.** The commissioner shall prepare forms and instructions that reflect the qualifying federal conformity items and bonus depreciation rules under subdivision 8, if applicable, for taxable years 2015 and 2016 consistent with the provisions of this section.

Subd. 7. **Transfer to general fund.** By the first February 15 following publication of a list of qualifying federal conformity items, the commissioner of revenue shall transfer from the contingent federal conformity account an amount sufficient to offset the estimated reduction in general fund revenues resulting from allowing the eligible federal tax preferences on the list.

Subd. 8. **Bonus depreciation; 80 percent rule applies.** If following final adjournment of the 2015 Minnesota legislature or final adjournment of the 2016 Minnesota legislature Congress enacts a law that extends application of the depreciation special allowances under section 168(k) of the Internal Revenue Code to taxable years beginning either during calendar year 2015 or 2016, the rules under section 290.01, subdivisions 19a, clause (7); 19b, clause (8); 19c, clause (12); and 19d, clause (14), apply to determine the amount of the special allowance of depreciation that applies to the relevant taxable years.

Subd. 9. **Appropriations.** Amounts sufficient to make the transfers required under subdivisions 2 and 7 are appropriated to the commissioner from the general fund or the contingent federal conformity account in the general fund, as appropriate.

Subd. 10. **Draft legislation.** For each taxable year for which the commissioner publishes a list of qualifying federal conformity items under this section, the commissioner shall provide the chairs and ranking minority members of the house of representatives and senate committees with jurisdiction over taxes with draft legislation that would conform this chapter to the qualifying federal conformity items and any other conformity items that the commissioner recommends be adopted. The draft legislation is intended to make the statutes consistent with application of the designated qualifying federal conformity items under this section for the convenience of members of the public. Failure to pass the draft legislation does not affect computation of Minnesota tax liability for the affected taxable years under this section.

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

Page 30, after line 20, insert:

"Sec. 16. Minnesota Statutes 2014, section 290.06, is amended by adding a subdivision to read:

Subd. 38. **Credit for unemployment benefits.** (a) A resident individual who was laid off and receives unemployment benefits as a result of lack of work at a facility engaged directly in extraction or processing of iron ore in Itasca County, Lake County, or St. Louis County between March 1, 2015, and December 31, 2015, is entitled to a credit against the tax imposed under this chapter equal to 25 percent of the unemployment benefits paid.

(b) If the amount of credit exceeds the individual's tax liability under this chapter, the commissioner shall refund the excess to the claimant.

(c) An amount sufficient to pay the refunds required by this section is appropriated to the commissioner from the general fund.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014."

Page 32, delete section 17 and insert:

"Sec. 17. Minnesota Statutes 2014, section 290.067, subdivision 1, is amended to read:

Subdivision 1. **Amount of credit.** ~~(a) A taxpayer may take as a credit against the tax due from the taxpayer and a spouse, if any, imposed under this chapter an amount equal to the sum of dependent care credit for which the taxpayer is eligible pursuant to the provisions of section 21 of the Internal Revenue Code subject to the limitations provided in subdivision 2 except that credits calculated under paragraphs (b), (d), and (e). In determining whether the child qualified as a dependent expenses were paid to care for a qualifying individual, income received as a Minnesota family investment program grant or allowance to or on behalf of the child individual must not be taken into account in determining whether the child individual received more than half of the child's individual's support from the taxpayer, and the provisions of section 32(b)(1)(D) of the Internal Revenue Code do not apply.~~

(b) A taxpayer who incurs actual employment-related expenses may take as a credit against the tax imposed under this chapter an amount equal to the dependent care credit for which the taxpayer is eligible pursuant to the provisions of section 21 of the Internal Revenue Code.

(c) A taxpayer who elects to claim a credit under paragraph (d) or (e) may claim a credit under paragraph (b) only for employment-related expenses paid to care for qualifying individuals other than the child for whom deemed expenses were used to claim the credit under paragraph (d) or (e).

~~(b) If a child who has not attained the age of six years at the close of the taxable year is cared for at a licensed family day care home operated by the child's parent, the taxpayer is deemed to have paid employment-related expenses. (d) In lieu of the credit under paragraph (b), a taxpayer who operates a licensed family day care home may elect to claim as a credit against the tax imposed under this chapter an amount equal to the dependent care credit for which the taxpayer is eligible pursuant to the provisions of section 21 of the Internal Revenue Code calculated using deemed expenses rather than actual employment-related expenses paid. If the child is 16 months old or younger at the close of the taxable year, the amount of deemed expenses deemed to have been paid equals are equal to the maximum limit amount of employment-related expenses incurred during the taxable year that may be taken into account for one qualified qualifying individual under section 21(c) and (d) of the Internal Revenue Code. If the child is older than 16 months of age but has not attained the age of six years at the close of the taxable year, the amount of deemed expenses deemed to have been paid equals are equal to the amount the licensee would charge for the care of a child of the same age for the same number of hours of care. If the child has attained the age of six at the close of the taxable year, deemed expenses are zero.~~

~~(e) If (e) In lieu of the credit under paragraph (b), a married couple may elect to claim a credit against the tax imposed under this chapter as computed under paragraph (f), if the married couple:~~

(1) has a child who has not attained the age of one year at the close of the taxable year;

(2) files a joint tax return for the taxable year; ~~and~~

~~(3) does not participate in a dependent care assistance program as defined in section 129 of the Internal Revenue Code, in lieu of the actual employment related expenses paid for that child under paragraph (a) or the deemed amount under paragraph (b), the lesser of (i) the combined earned income of the couple or (ii) the amount of the maximum limit for one qualified individual under section 21(c) and (d) of the Internal Revenue Code will be deemed to be the employment related expense paid for that child. The earned income limitation of section 21(d) of the Internal Revenue Code shall not apply to this deemed amount. These deemed amounts apply regardless of whether any employment related expenses have been paid; and~~

(4) does not operate a licensed family day care center home.

(f) A married couple meeting the requirements of paragraph (e) is allowed a credit against the tax imposed under this chapter equal to the dependent care for which the couple is eligible pursuant to section 21 of the Internal Revenue Code calculated using deemed expenses rather than actual employment-related expenses paid. For purposes of this paragraph, deemed expenses are the lesser of (i) the combined earned income of the couple or (ii) the maximum amount of employment-related expenses incurred during the taxable year that may be taken into account for one qualifying individual under section 21(c) and (d) of the Internal Revenue Code or for two qualifying individuals for a taxpayer with two children who have not attained the age of one. The earned income limitation of section 21(d) of the Internal Revenue Code does not apply to this deemed amount. These deemed amounts apply regardless of whether any employment-related expenses have been paid.

~~(d)~~ (g) If the taxpayer is not required and does not file a federal individual income tax return for the tax year, or if the taxpayer does file a federal return but does not claim a federal dependent care credit, no credit is allowed for any amount paid to any person unless:

(1) the name, address, and taxpayer identification number of the person are included on the return claiming the credit; or

(2) if the person is an organization described in section 501(c)(3) of the Internal Revenue Code and exempt from tax under section 501(a) of the Internal Revenue Code, the name and address of the person are included on the return claiming the credit.

In the case of a failure to provide the information required under the preceding sentence, the preceding sentence does not apply if it is shown that the taxpayer exercised due diligence in attempting to provide the information required.

~~(e)~~ (h) In the case of a nonresident, part-year resident, or a person who has earned income not subject to tax under this chapter including earned income excluded pursuant to section 290.01, subdivision 19b, clause (9), the credit determined under this section 21 of the Internal Revenue Code must be allocated based on the ratio by which the earned income of the claimant and the claimant's spouse from Minnesota sources bears to the total earned income of the claimant and the claimant's spouse.

~~(f)~~ (i) For residents of Minnesota, the subtractions for military pay under section 290.01, subdivision 19b, clauses (10) and (11), are not considered "earned income not subject to tax under this chapter."

~~(g)~~ (j) For residents of Minnesota, the exclusion of combat pay under section 112 of the Internal Revenue Code is not considered "earned income not subject to tax under this chapter."

(k) For the purposes of this section, the terms "qualifying individual" and "employment-related expenses" have the meanings given in section 21 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 18. Minnesota Statutes 2014, section 290.067, subdivision 2, is amended to read:

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

~~income up to \$18,040, \$720 maximum for one dependent, \$1,440 for all dependents;~~

~~income over \$18,040, the maximum credit for one dependent shall be reduced by \$18 for every \$350 of additional income, \$36 for all dependents.~~

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

(a) The maximum credit under subdivision 1, paragraph (b), is:

(1) \$1,050 for a taxpayer with employment-related expenses for one qualifying individual;

(2) \$2,100 for a taxpayer with employment-related expenses for two or more qualifying individuals;

(3) \$1,050 for a taxpayer who elects to claim a credit under subdivision 1, paragraph (d) or (e), if that credit is based on deemed expenses for one child; and

(4) \$0 for a taxpayer who elects to claim a credit under subdivision 1, paragraph (d) or (e), if that credit is based on deemed expenses for two or more children.

(b) The maximum credit under subdivision 1, paragraphs (d) and (e), is:

(1) \$720 for a taxpayer with deemed expenses for one child; and

(2) \$1,440 for a taxpayer with deemed expenses for two or more children.

(c) For a taxpayer who claims a credit under subdivision 1, paragraph (b), who has federal adjusted gross income as defined in the Internal Revenue Code in excess of \$100,000, the credit under subdivision 1, paragraph (b), is equal to the lesser of:

(1) the credit calculated under subdivision 1, paragraph (b); or

(2) \$600 minus five percent of federal adjusted gross income in excess of \$100,000 for a taxpayer with one qualifying individual, or \$1,200 minus five percent of federal gross adjusted income in excess of \$100,000 for a taxpayer with two or more qualifying individuals, but in no case is the credit less than zero.

(d) For a taxpayer who elects to claim the credit under subdivision 1, paragraph (d) or (e), with federal adjusted gross income as defined in the Internal Revenue Code in excess of \$25,000, the credit is equal to the lesser of:

(1) the credit calculated under subdivision 1, paragraph (d) or (e); or

(2) \$720 minus five percent of federal adjusted gross income in excess of \$25,000 for a taxpayer with one qualifying individual, or \$1,440 minus five percent of federal gross adjusted income in excess of \$25,000 for a taxpayer with two or more qualifying individuals, but in no case is the credit less than zero.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014.

Sec. 19. Minnesota Statutes 2014, section 290.067, subdivision 2b, is amended to read:

Subd. 2b. **Inflation adjustment.** The commissioner shall adjust the dollar amount of the income threshold at which the ~~maximum~~ credit begins to be reduced under subdivision 2 by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "~~1999~~" "2014" shall be substituted for the word "1992." For ~~2001~~ 2016, the commissioner shall then determine the percent change from the 12 months ending on August 31, ~~1999~~ 2014, to the 12 months ending on August 31, ~~2000~~ 2015, and in each subsequent year, from the 12 months ending on August 31, ~~1999~~ 2014, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision must not be considered a "rule" and is not subject to the Administrative Procedure Act contained in chapter 14. The threshold amount as adjusted must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2015.

Sec. 20. Minnesota Statutes 2014, section 290.067, subdivision 3, is amended to read:

Subd. 3. **Credit to be refundable.** If the amount of credit which a claimant would be eligible to receive pursuant to this ~~subdivision~~ section exceeds the claimant's tax liability under chapter 290, the excess amount of the credit shall be refunded to the claimant by the commissioner ~~of revenue~~.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014."

Page 33, delete section 18 and insert:

"Sec. 21. Minnesota Statutes 2014, section 290.0671, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** (a) An individual who is a resident of Minnesota is allowed a credit against the tax imposed by this chapter equal to a percentage of earned income. To receive a credit, a taxpayer must be eligible for a credit under section 32 of the Internal Revenue Code except that a taxpayer is eligible for this credit even if the taxpayer's earned income or adjusted gross income exceeds the amount for which a credit is available under the additional personal and dependent exemption provided in this article.

(b) For individuals with no qualifying children, the credit equals ~~2.40~~ 2.64 percent of the first ~~\$6,180~~ \$5,000 of earned income. The credit is reduced by ~~2.04~~ 2.64 percent of earned income or adjusted gross income, whichever is greater, in excess of ~~\$8,130~~ \$9,830, but in no case is the credit less than zero.

(c) For individuals with one qualifying child, the credit equals ~~9.35~~ 12.66 percent of the first ~~\$11,120~~ \$8,350 of earned income. The credit is reduced by ~~6.02~~ 4.60 percent of earned income or adjusted gross income, whichever is greater, in excess of ~~\$21,190~~ \$21,520, but in no case is the credit less than zero.

(d) For individuals with two or more qualifying children, the credit equals ~~44~~ 14.88 percent of the first ~~\$18,240~~ \$13,700 of earned income. The credit is reduced by ~~10.82~~ 8.51 percent of earned income or adjusted gross income, whichever is greater, in excess of ~~\$25,130~~ \$25,530, but in no case is the credit less than zero.

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

(f) For a person who was a resident for the entire tax year and has earned income not subject to tax under this chapter, including income excluded under section 290.01, subdivision 19b, clause (9), the credit must be allocated based on the ratio of federal adjusted gross income reduced by the earned income not subject to tax under this chapter over federal adjusted gross income. For purposes of this paragraph, the subtractions for military pay under section 290.01, subdivision 19b, clauses (10) and (11), are not considered "earned income not subject to tax under this chapter."

For the purposes of this paragraph, the exclusion of combat pay under section 112 of the Internal Revenue Code is not considered "earned income not subject to tax under this chapter."

~~(g) For tax years beginning after December 31, 2007, and before December 31, 2010, and for tax years beginning after December 31, 2017, the \$8,130 in paragraph (b), the \$21,190 in paragraph (c), and the \$25,130 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by \$3,000 for married taxpayers filing joint returns. For tax years beginning after December 31, 2008, the commissioner shall annually adjust the \$3,000 by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B), the word "2007" shall be substituted for the word "1992." For 2009, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2007, to the 12 months ending on August 31, 2008, and in each subsequent year, from the 12 months ending on August 31, 2007, to the 12 months ending on August 31 of the year preceding the taxable year. The earned income thresholds as adjusted for inflation must be rounded to the nearest \$10. If the amount ends in \$5, the amount is rounded up to the nearest \$10. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.~~

(h) ~~(1) For tax years beginning after December 31, 2012, and before January 1, 2014, the \$5,770 \$9,830 in paragraph (b), the \$15,080 \$21,520 in paragraph (c), and the \$17,890 \$25,530 in paragraph (d), after being adjusted for inflation under subdivision 7, are increased by \$5,340 \$5,520 for married taxpayers filing joint returns; and (2) for tax years beginning after December 31, 2013, and before January 1, 2018, the \$8,130 in paragraph (b), the \$21,190 in paragraph (c), and the \$25,130 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by \$5,000 for married taxpayers filing joint returns. For tax years beginning after December 31, 2010, and before January 1, 2012, and~~ For tax years beginning after December 31, 2013, and before January 1, 2018 ~~2015~~, the commissioner shall annually adjust the ~~\$5,000 \$5,520~~ by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B), the word "~~2008~~" "2014" shall be substituted for the word "1992." For ~~2011~~ 2016, the commissioner shall then determine the percent change from the 12 months ending on August 31, ~~2008~~ 2014, to the 12 months ending on August 31, ~~2010~~ 2015, and in each subsequent year, from the 12 months ending on August 31, ~~2008~~ 2014, to the 12 months ending on August 31 of the year preceding the taxable year. The earned income thresholds as adjusted for inflation must be rounded to the nearest \$10. If the amount ends in \$5, the amount is rounded up to the nearest \$10. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014."

Page 36, after line 13, insert:

"Sec. 23. Minnesota Statutes 2014, section 290.0671, subdivision 7, is amended to read:

Subd. 7. **Inflation adjustment.** The earned income amounts used to calculate the credit and the income thresholds at which the maximum credit begins to be reduced in subdivision 1 must be adjusted for inflation. The commissioner shall adjust by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "~~2013~~" "2014" shall be substituted for the word "1992." For ~~2015~~ 2016, the commissioner shall then determine the percent change from the 12 months ending on August 31, ~~2013~~ 2014, to the 12 months ending on August 31, ~~2014~~ 2015, and in each subsequent year, from the 12 months ending on August 31, ~~2013~~ 2014, to the 12 months ending on August 31 of the year preceding the taxable year. The earned income thresholds as adjusted for inflation must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount. 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, 2014."

Page 37, line 28, delete "tuition and"

Page 47, after line 27, insert:

"Sec. 36. Minnesota Statutes 2014, section 290.0802, subdivision 2, is amended to read:

Subd. 2. **Subtraction.** (a) A qualified individual is allowed a subtraction from federal taxable income of the individual's subtraction base amount. The excess of the subtraction base amount over the taxable net income computed without regard to the subtraction for the elderly or disabled under section 290.01, subdivision 19b, clause (4), may be used to reduce the amount of a lump sum distribution subject to tax under section 290.032.

(b)(1) The initial subtraction base amount equals

(i) ~~\$12,000~~ \$20,000 for a married taxpayer filing a joint return if a spouse is a qualified individual,

(ii) ~~\$9,600~~ \$16,000 for a single taxpayer, and

(iii) ~~\$6,000~~ \$10,000 for a married taxpayer filing a separate federal return.

(2) The qualified individual's initial subtraction base amount, then, must be reduced by the sum of nontaxable retirement and disability benefits and one-half of the amount of adjusted gross income in excess of the following thresholds:

(i) ~~\$18,000~~ \$30,000 for a married taxpayer filing a joint return if both spouses are qualified individuals,

(ii) ~~\$14,500~~ \$24,000 for a single taxpayer or for a married couple filing a joint return if only one spouse is a qualified individual, and

(iii) ~~\$9,000~~ \$15,000 for a married taxpayer filing a separate federal return.

(3) In the case of a qualified individual who is under the age of 65, the maximum amount of the subtraction base may not exceed the taxpayer's disability income.

(4) The resulting amount is the subtraction base amount.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014."

Page 54, line 21, delete "FOR 2015 AND 2016"

Page 54, delete line 22

Page 54, line 23, delete "2017," and insert "(a)"

Page 54, delete line 30

Page 54, line 31, delete "2017," and insert "(b)"

Page 55, line 4, delete ", and before January 1, 2017"

Page 56, delete section 39 and insert:

"Sec. 44. **REPEALER.**

Minnesota Statutes 2014, section 290.067, subdivision 2a, is repealed.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2014."

Page 105, line 11, restore the stricken "base amount"

Page 105, line 12, delete "\$599,043,000" and insert "\$766,150,000" and after "levy" insert "base amount"

Page 105, line 13, delete "\$12,018,000" and insert "\$35,000,000"

Page 105, line 14, restore the stricken "base" and delete "reduced" and insert "increased"

Page 105, lines 15 to 20, restore the stricken language and delete the new language

Page 106, line 6, delete "\$500,000" and insert "tier"

Page 106, lines 13 to 16, delete the new language

Page 106, line 20, restore the stricken "\$76,000"

Page 106, line 21, delete "\$250,000"

Page 118, delete article 4

Page 136, line 33, delete "\$1,000,000" and insert "\$2,000,000"

Page 199, delete section 5

Page 200, delete sections 6 and 7

Page 201, delete sections 9 and 10

Page 202, delete sections 11 to 13

Page 205, delete section 20

Page 206, delete article 8

Page 212, delete section 1

Page 220, after line 9, insert:

"Sec. 7. Minnesota Statutes 2014, section 290A.03, subdivision 3, is amended to read:

Subd. 3. **Income.** (1) "Income" means the sum of the following:

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

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

(i) all nontaxable income;

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

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

(iv) cash public assistance and relief;

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

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

(vii) workers' compensation;

(viii) nontaxable strike benefits;

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

(x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1995;

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

(xii) to the extent not included in federal adjusted gross income, distributions received by the claimant or spouse from a traditional or Roth style retirement account or plan;

(xiii) nontaxable scholarship or fellowship grants;

(xiv) the amount of deduction allowed under section 199 of the Internal Revenue Code;

(xv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue Code;

(xvi) the amount deducted for tuition expenses under section 222 of the Internal Revenue Code; and

(xvii) the amount deducted for certain expenses of elementary and secondary school teachers under section 62(a)(2)(D) of the Internal Revenue Code.

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

(2) "Income" does not include:

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

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

(c) to the extent included in federal adjusted gross income, amounts contributed by the claimant or spouse to a traditional or Roth style retirement account or plan, but not to exceed the retirement base amount reduced by the amount of contributions excluded from federal adjusted gross income, but not less than zero;

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

(e) relief granted under this chapter;

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

(g) restitution payments received by eligible individuals and excludable interest as defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16.

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

(a) for the claimant's first dependent, the exemption amount multiplied by ~~1.4~~ 2.0;

(b) for the claimant's second dependent, the exemption amount multiplied by ~~1.3~~ 1.75;

(c) for the claimant's third dependent, the exemption amount multiplied by ~~1.2~~ 1.5;

(d) for the claimant's fourth dependent, the exemption amount multiplied by ~~1.1~~ 1.25;

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

(f) if the claimant or ~~claimant's spouse~~ was disabled or attained the age of 65 on or before December 31 of the year for which the taxes were levied or rent paid, the exemption amount; and

(g) if the claimant's spouse was disabled or attained the age of 65 on or before December 31 of the year for which the taxes were levied or rent paid, the exemption amount.

For purposes of this subdivision, the "exemption amount" means the exemption amount under section 151(d) of the Internal Revenue Code for the taxable year for which the income is reported; "retirement base amount" means the deductible amount for the taxable year for the claimant and spouse under section 219(b)(5)(A) of the Internal Revenue Code, adjusted for inflation as provided in section 219(b)(5)(D) of the Internal Revenue Code, without regard to whether the claimant or spouse claimed a deduction; and "traditional or Roth style retirement account or plan" means retirement plans under sections 401, 403, 408, 408A, and 457 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective beginning for refunds based on taxes payable in 2016 and rent paid in 2015.

Sec. 8. Minnesota Statutes 2014, section 290A.04, subdivision 2, is amended to read:

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

Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
\$0 to 1,619	1.0 percent	15 percent	\$2,580
1,620 to 3,229	1.1 percent	15 percent	\$2,580
3,230 to 4,889	1.2 percent	15 percent	\$2,580
4,890 to 6,519	1.3 percent	20 percent	\$2,580
6,520 to 8,129	1.4 percent	20 percent	\$2,580
8,130 to 11,389	1.5 percent	20 percent	\$2,580
11,390 to 13,009	1.6 percent	20 percent	\$2,580
13,010 to 14,649	1.7 percent	20 percent	\$2,580
14,650 to 16,269	1.8 percent	20 percent	\$2,580
16,270 to 17,879	1.9 percent	25 percent	\$2,580
17,880 to 22,779	2.0 percent	25 percent	\$2,580
22,780 to 24,399	2.0 percent	30 percent	\$2,580
24,400 to 27,659	2.0 percent	30 percent	\$2,580
27,660 to 39,029	2.0 percent	35 percent	\$2,580
39,030 to 56,919	2.0 percent	35 percent	\$2,090
56,920 to 65,049	2.0 percent	40 percent	\$1,830
65,050 to 73,189	2.1 percent	40 percent	\$1,510
73,190 to 81,319	2.2 percent	40 percent	\$1,350
81,320 to 89,449	2.3 percent	40 percent	\$1,180
89,450 to 94,339	2.4 percent	45 percent	\$1,000
94,340 to 97,609	2.5 percent	45 percent	\$830
97,610 to 101,559	2.5 percent	50 percent	\$680
101,560 to 105,499	2.5 percent	50 percent	\$500

<u>Household Income</u>	<u>Percent of Income</u>	<u>Percent Paid by Claimant</u>	<u>Maximum State Refund</u>
<u>\$0 to 1,659</u>	<u>1.0 percent</u>	<u>15 percent</u>	<u>\$3,000</u>
<u>1,660 to 3,299</u>	<u>1.1 percent</u>	<u>15 percent</u>	<u>\$3,000</u>
<u>3,300 to 4,999</u>	<u>1.2 percent</u>	<u>15 percent</u>	<u>\$3,000</u>
<u>5,000 to 6,659</u>	<u>1.3 percent</u>	<u>20 percent</u>	<u>\$2,750</u>
<u>6,660 to 8,309</u>	<u>1.4 percent</u>	<u>20 percent</u>	<u>\$2,750</u>
<u>8,310 to 16,619</u>	<u>1.5 percent</u>	<u>20 percent</u>	<u>\$2,640</u>
<u>16,620 to 19,999</u>	<u>1.5 percent</u>	<u>25 percent</u>	<u>\$2,640</u>
<u>20,000 to 22,499</u>	<u>1.6 percent</u>	<u>25 percent</u>	<u>\$2,640</u>
<u>22,500 to 23,279</u>	<u>1.7 percent</u>	<u>25 percent</u>	<u>\$2,640</u>
<u>23,280 to 24,999</u>	<u>1.7 percent</u>	<u>30 percent</u>	<u>\$2,640</u>
<u>25,000 to 27,499</u>	<u>1.8 percent</u>	<u>30 percent</u>	<u>\$2,640</u>
<u>27,500 to 28,259</u>	<u>1.9 percent</u>	<u>30 percent</u>	<u>\$2,640</u>
<u>28,260 to 29,999</u>	<u>1.9 percent</u>	<u>35 percent</u>	<u>\$2,640</u>
<u>30,000 to 39,879</u>	<u>2.0 percent</u>	<u>35 percent</u>	<u>\$2,640</u>
<u>39,880 to 58,159</u>	<u>2.0 percent</u>	<u>35 percent</u>	<u>\$2,140</u>
<u>58,160 to 66,469</u>	<u>2.0 percent</u>	<u>40 percent</u>	<u>\$1,870</u>
<u>66,470 to 74,779</u>	<u>2.1 percent</u>	<u>40 percent</u>	<u>\$1,540</u>
<u>74,780 to 83,089</u>	<u>2.2 percent</u>	<u>40 percent</u>	<u>\$1,380</u>
<u>83,090 to 91,399</u>	<u>2.3 percent</u>	<u>40 percent</u>	<u>\$1,210</u>
<u>91,400 to 96,389</u>	<u>2.4 percent</u>	<u>45 percent</u>	<u>\$1,020</u>
<u>96,390 to 99,729</u>	<u>2.5 percent</u>	<u>45 percent</u>	<u>\$850</u>
<u>99,730 to 103,769</u>	<u>2.5 percent</u>	<u>50 percent</u>	<u>\$690</u>
<u>103,770 to 107,799</u>	<u>2.5 percent</u>	<u>50 percent</u>	<u>\$510</u>

The payment made to a claimant shall be the amount of the state refund calculated under this subdivision. No payment is allowed if the claimant's household income is ~~\$105,500~~ \$107,800 or more.

EFFECTIVE DATE. This section is effective for refunds based on property taxes payable in 2016 and following years.

Sec. 9. Minnesota Statutes 2014, section 290A.04, subdivision 2a, is amended to read:

Subd. 2a. **Renters.** A claimant whose rent constituting property taxes exceeds the percentage of the household income stated below must pay an amount equal to the percent of income shown for the appropriate household income level along with the percent to be paid by the claimant of the remaining amount of rent constituting property taxes. The state refund equals the amount of rent constituting property taxes that remain, up to the maximum state refund amount shown below.

<u>Household Income</u>	<u>Percent of Income</u>	<u>Percent Paid by Claimant</u>	<u>Maximum State Refund</u>
<u>\$0 to 4,909</u>	<u>1.0 percent</u>	<u>5 percent</u>	<u>\$2,000</u>
<u>4,910 to 6,529</u>	<u>1.0 percent</u>	<u>10 percent</u>	<u>\$2,000</u>
<u>6,530 to 8,159</u>	<u>1.1 percent</u>	<u>10 percent</u>	<u>\$1,950</u>
<u>8,160 to 11,439</u>	<u>1.2 percent</u>	<u>10 percent</u>	<u>\$1,900</u>
<u>11,440 to 14,709</u>	<u>1.3 percent</u>	<u>15 percent</u>	<u>\$1,850</u>
<u>14,710 to 16,339</u>	<u>1.4 percent</u>	<u>15 percent</u>	<u>\$1,800</u>
<u>16,340 to 17,959</u>	<u>1.4 percent</u>	<u>20 percent</u>	<u>\$1,750</u>
<u>17,960 to 21,239</u>	<u>1.5 percent</u>	<u>20 percent</u>	<u>\$1,700</u>
<u>21,240 to 22,869</u>	<u>1.6 percent</u>	<u>20 percent</u>	<u>\$1,650</u>

22,870 to 24,499	1.7 percent	25 percent	\$1,650
24,500 to 27,779	1.8 percent	25 percent	\$1,650
27,780 to 29,399	1.9 percent	30 percent	\$1,650
29,400 to 34,299	2.0 percent	30 percent	\$1,650
34,300 to 39,199	2.0 percent	35 percent	\$1,650
39,200 to 45,739	2.0 percent	40 percent	\$1,650
45,740 to 47,369	2.0 percent	45 percent	\$1,500
47,370 to 49,009	2.0 percent	45 percent	\$1,350
49,010 to 50,649	2.0 percent	45 percent	\$1,150
50,650 to 52,269	2.0 percent	50 percent	\$1,000
52,270 to 53,909	2.0 percent	50 percent	\$900
53,910 to 55,539	2.0 percent	50 percent	\$500
55,540 to 57,169	2.0 percent	50 percent	\$200

<u>Household Income</u>	<u>Percent of Income</u>	<u>Percent Paid by Claimant</u>	<u>Maximum State Refund</u>
<u>\$0 to 5,019</u>	<u>1.0 percent</u>	<u>5 percent</u>	<u>\$2,500</u>
<u>5,020 to 6,669</u>	<u>1.0 percent</u>	<u>10 percent</u>	<u>\$2,500</u>
<u>6,670 to 8,339</u>	<u>1.1 percent</u>	<u>10 percent</u>	<u>\$2,500</u>
<u>8,340 to 11,689</u>	<u>1.2 percent</u>	<u>10 percent</u>	<u>\$2,500</u>
<u>11,690 to 15,029</u>	<u>1.3 percent</u>	<u>15 percent</u>	<u>\$2,500</u>
<u>15,030 to 16,699</u>	<u>1.4 percent</u>	<u>15 percent</u>	<u>\$2,500</u>
<u>16,700 to 18,349</u>	<u>1.4 percent</u>	<u>20 percent</u>	<u>\$2,500</u>
<u>18,350 to 21,699</u>	<u>1.5 percent</u>	<u>20 percent</u>	<u>\$2,500</u>
<u>21,700 to 23,369</u>	<u>1.6 percent</u>	<u>20 percent</u>	<u>\$2,000</u>
<u>23,370 to 25,029</u>	<u>1.7 percent</u>	<u>25 percent</u>	<u>\$2,000</u>
<u>25,030 to 28,379</u>	<u>1.8 percent</u>	<u>25 percent</u>	<u>\$2,000</u>
<u>28,380 to 30,039</u>	<u>1.9 percent</u>	<u>30 percent</u>	<u>\$2,000</u>
<u>30,040 to 35,049</u>	<u>2.0 percent</u>	<u>30 percent</u>	<u>\$2,000</u>
<u>35,050 to 40,049</u>	<u>2.0 percent</u>	<u>35 percent</u>	<u>\$2,000</u>
<u>40,050 to 46,739</u>	<u>2.0 percent</u>	<u>40 percent</u>	<u>\$2,000</u>
<u>46,740 to 48,399</u>	<u>2.0 percent</u>	<u>45 percent</u>	<u>\$1,750</u>
<u>48,400 to 50,079</u>	<u>2.0 percent</u>	<u>45 percent</u>	<u>\$1,750</u>
<u>50,080 to 51,749</u>	<u>2.0 percent</u>	<u>45 percent</u>	<u>\$1,500</u>
<u>51,750 to 53,409</u>	<u>2.0 percent</u>	<u>50 percent</u>	<u>\$1,250</u>
<u>53,410 to 55,079</u>	<u>2.0 percent</u>	<u>50 percent</u>	<u>\$1,000</u>
<u>55,080 to 56,749</u>	<u>2.0 percent</u>	<u>50 percent</u>	<u>\$700</u>
<u>56,750 to 58,409</u>	<u>2.0 percent</u>	<u>50 percent</u>	<u>\$400</u>

The payment made to a claimant is the amount of the state refund calculated under this subdivision. No payment is allowed if the claimant's household income is ~~\$57,170~~ \$58,410 or more.

EFFECTIVE DATE. This section is effective for claims based on rent paid in 2015 and following years.

Sec. 10. Minnesota Statutes 2014, section 290A.04, subdivision 4, is amended to read:

Subd. 4. **Inflation adjustment.** (a) Beginning for property tax refunds payable in calendar year 2002, the commissioner shall annually adjust the dollar amounts of the income thresholds and the maximum refunds under subdivisions 2 and 2a for inflation. The commissioner shall make the inflation adjustments in accordance with section 1(f) of the Internal Revenue Code, except that for purposes of this subdivision the percentage increase shall be determined as provided in this subdivision.

(b) In adjusting the dollar amounts of the income thresholds and the maximum refunds under subdivision 2 for inflation, the percentage increase shall be determined from the year ending on June 30, ~~2013~~ 2015, to the year ending on June 30 of the year preceding that in which the refund is payable.

(c) In adjusting the dollar amounts of the income thresholds and the maximum refunds under subdivision 2a for inflation, the percentage increase shall be determined from the year ending on June 30, ~~2013~~ 2015, to the year ending on June 30 of the year preceding that in which the refund is payable.

(d) The commissioner shall use the appropriate percentage increase to annually adjust the income thresholds and maximum refunds under subdivisions 2 and 2a for inflation without regard to whether or not the income tax brackets are adjusted for inflation in that year. The commissioner shall round the thresholds and the maximum amounts, as adjusted to the nearest \$10 amount. If the amount ends in \$5, the commissioner shall round it up to the next \$10 amount.

(e) The commissioner shall annually announce the adjusted refund schedule at the same time provided under section 290.06. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

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

Sec. 11. Minnesota Statutes 2014, section 290B.03, subdivision 1, is amended to read:

Subdivision 1. **Program qualifications.** The qualifications for the senior citizens' property tax deferral program are as follows:

(1) the property must be owned and occupied as a homestead by a person 65 years of age or older. In the case of a married couple, at least one of the spouses must be at least 65 years old at the time the first property tax deferral is granted, regardless of whether the property is titled in the name of one spouse or both spouses, or titled in another way that permits the property to have homestead status, and the other spouse must be at least 62 years of age;

(2) the total household income of the qualifying homeowners, as defined in section 290A.03, subdivision 5, for the calendar year preceding the year of the initial application may not exceed \$60,000;

(3) the homestead must have been owned and occupied as the homestead of at least one of the qualifying homeowners for at least ~~15~~ five years prior to the year the initial application is filed;

(4) there are no state or federal tax liens or judgment liens on the homesteaded property;

(5) there are no mortgages or other liens on the property that secure future advances, except for those subject to credit limits that result in compliance with clause (6); and

(6) the total unpaid balances of debts secured by mortgages and other liens on the property, including unpaid and delinquent special assessments and interest and any delinquent property taxes, penalties, and interest, but not including property taxes payable during the year, does not exceed 75 percent of the assessor's estimated market value for the year.

EFFECTIVE DATE. This section is effective for applications for deferral of taxes payable in 2016 and thereafter.

Sec. 12. Minnesota Statutes 2014, section 290B.04, subdivision 1, is amended to read:

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

- (1) the name, address, and Social Security number of the owner or owners;
- (2) a copy of the property tax statement for the current payable year for the homesteaded property;
- (3) the initial year of ownership and occupancy as a homestead;
- (4) the owner's household income for the previous calendar year; and

(5) information on any mortgage loans or other amounts secured by mortgages or other liens against the property, for which purpose the commissioner may require the applicant to provide a copy of the mortgage note, the mortgage, or a statement of the balance owing on the mortgage loan provided by the mortgage holder. The commissioner may require the appropriate documents in connection with obtaining and confirming information on unpaid amounts secured by other liens.

The application must state that program participation is voluntary. The application must also state that the deferred amount depends directly on the applicant's household income, and that program participation includes authorization for the annual deferred amount, the cumulative deferral and interest that appear on each year's notice prepared by the county under subdivision 6, is public data.

The application must state that program participants may claim the property tax refund based on the full amount of property taxes eligible for the refund, including any deferred amounts. The application must also state that property tax refunds will be used to offset any deferral and interest under this program, and that any other amounts subject to revenue recapture under section 270A.03, subdivision 7, will also be used to offset any deferral and interest under this program.

(b) As part of the initial application process, the commissioner may require the applicant to obtain at the applicant's own cost and submit:

- (1) if the property is registered property under chapter 508 or 508A, a copy of the original certificate of title in the possession of the county registrar of titles (sometimes referred to as "condition of register"); or
- (2) if the property is abstract property, a report prepared by a licensed abstracter showing the last deed and any unsatisfied mortgages, liens, judgments, and state and federal tax lien notices which were recorded on or after the date of that last deed with respect to the property or to the applicant.

The certificate or report under clauses (1) and (2) need not include references to any documents filed or recorded more than 40 years prior to the date of the certification or report. The certification or report must be as of a date not more than 30 days prior to submission of the application.

The commissioner may also require the county recorder or county registrar of the county where the property is located to provide copies of recorded documents related to the applicant or the property, for which the recorder or registrar shall not charge a fee. The commissioner may use any information available to determine or verify eligibility under this section. The household income from the application is private data on individuals as defined in section 13.02, subdivision 12.

EFFECTIVE DATE. This section is effective for applications for deferral of taxes payable in 2016 and thereafter.

Sec. 13. Minnesota Statutes 2014, section 477A.0124, subdivision 4, is amended to read:

Subd. 4. **County tax-base equalization aid.** (a) For 2006 and subsequent years, the money appropriated to county tax-base equalization aid each calendar year, after the payment under paragraph (f), shall be apportioned among the counties according to each county's tax-base equalization aid factor.

(b) A county's tax-base equalization aid factor is equal to the amount by which (i) ~~\$185~~ \$330 times the county's population, exceeds (ii) ~~9.45~~ 12 percent of the county's net tax capacity.

(c) In the case of a county with a population less than 10,000, the factor determined in paragraph (b) shall be multiplied by a factor of three.

(d) In the case of a county with a population greater than or equal to 10,000, but less than 12,500, the factor determined in paragraph (b) shall be multiplied by a factor of two.

(e) In the case of a county with a population greater than or equal to 12,500 but less than 16,500, the factor determined in paragraph (b) shall be multiplied by a factor of 1.25.

~~(e)~~ (f) In the case of a county with a population greater than 500,000, the factor determined in paragraph (b) shall be multiplied by a factor of 0.25.

(g) For distributions in 2016, the allocation to a county under paragraphs (a) to (f) shall not be less than 95 percent of the sum of the tax base equalization aid in 2014 plus any supplemental program aid that was distributed to the county under Laws 2014, chapter 308, article 1, section 13. For distributions in 2017 and subsequent years, the allocation to a county under paragraphs (a) to (f) shall not be less than 95 percent of the tax base equalization aid of the county in the prior year.

~~(f)~~ (h) Before the money appropriated to county base equalization aid is apportioned among the counties as provided in paragraph (a), an amount up to \$73,259 is allocated annually to Anoka County and up to \$59,664 is annually allocated to Washington County for the county to pay postretirement costs of health insurance premiums for court employees. The allocation under this paragraph is in addition to the allocations under paragraphs (a) to ~~(e)~~ (g).

EFFECTIVE DATE. This section is effective for aids payable in 2016 and thereafter."

Page 223, delete sections 13 and 14 and insert:

"Sec. 16. Minnesota Statutes 2014, section 477A.03, subdivision 2a, is amended to read:

Subd. 2a. **Cities.** For aids payable in 2014, the total aid paid under section 477A.013, subdivision 9, is \$507,598,012. The total aid paid under section 477A.013, subdivision 9, is \$516,898,012 for aids payable in 2015. For aids payable in 2016 ~~and thereafter~~, the total aid paid under section 477A.013, subdivision 9, is ~~\$519,398,012~~ \$540,940,079. For aids payable in 2017 and thereafter, the total aid paid under section 477A.013, subdivision 9, is \$564,982,145.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2016 and thereafter.

Sec. 17. Minnesota Statutes 2014, section 477A.03, subdivision 2b, is amended to read:

Subd. 2b. **Counties.** (a) For aids payable in 2014 ~~and thereafter through 2016~~, the total aid payable under section 477A.0124, subdivision 3, is \$100,795,000. For aids payable in 2017 and thereafter, the total aid under section 477A.0124, subdivision 3, shall be increased by multiplying the appropriation for the prior year by the sum of one plus the rate of increase, if any, in the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysts of the United States Department of Commerce for the 12-month period ending March 31 of the year prior to the year the aid is payable. Each calendar year, \$500,000 of this appropriation shall be retained by the commissioner of revenue to make reimbursements to the commissioner of management and budget for payments made under section 611.27. 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 ~~2014 and thereafter 2016~~, the total aid under section 477A.0124, subdivision 4, is ~~\$104,909,575~~ \$129,909,575. For aids payable in 2017 and thereafter, the total aid under section 477A.0124, subdivision 4, shall be increased by multiplying the appropriation for the prior year by the sum of one plus the rate of increase, if any, in the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysts of the United States Department of Commerce for the 12-month period ending March 31 of the year prior to the year the aid is payable. The commissioner of revenue shall transfer to the commissioner of management and budget \$207,000 annually for the cost of preparation of local impact notes as required by section 3.987, and other local government activities. The commissioner of revenue shall transfer to the commissioner of education \$7,000 annually for the cost of preparation of local impact notes for school districts as required by section 3.987. The commissioner of revenue shall deduct the amounts transferred under this paragraph from the appropriation under this paragraph. The amounts transferred are appropriated to the commissioner of management and budget and the commissioner of education respectively.

EFFECTIVE DATE. This section is effective for aids payable in 2016 and thereafter.

Sec. 18. Minnesota Statutes 2014, section 477A.03, subdivision 2c, is amended to read:

Subd. 2c. **Towns.** For aids payable in 2014 and 2015, the total aids paid under section 477A.013, subdivision 1, is limited to \$10,000,000. For aids payable in ~~2015~~ 2016 and thereafter, the total aids paid under section 477A.013, subdivision 1, is limited to ~~the amount certified to be paid in the previous year~~ \$15,000,000.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2016 and thereafter."

Page 224, delete sections 15 and 16

Page 225, delete section 19

Page 227, line 19, delete "477A.085; and" and insert ", is repealed."

Page 227, delete line 20

Page 227, after line 21, insert:

"ARTICLE 8
OIL AND HAZARDOUS MATERIALS TRANSPORTATION SAFETY

Section 1. Minnesota Statutes 2014, section 299A.55, subdivision 4, is amended to read:

Subd. 4. **Assessments.** (a) The commissioner of public safety shall annually assess \$2,500,000 to railroad and pipeline companies based on the formula specified in paragraph (b). The commissioner shall deposit funds collected under this subdivision in the railroad and pipeline safety account under subdivision 2.

(b) The assessment for each railroad is 50 percent of the total annual assessment amount, divided in equal proportion between applicable rail carriers based on route miles operated in Minnesota. The assessment for each pipeline company is 50 percent of the total annual assessment amount, divided in equal proportion between companies based on the yearly aggregate gallons of oil and hazardous substance transported by pipeline in Minnesota.

~~(c) The assessments under this subdivision expire July 1, 2017.~~

Sec. 2. **RAILROAD AT-GRADE CROSSING IMPROVEMENTS; APPROPRIATIONS.**

(a) \$11,034,000 in fiscal year 2016 and \$22,876,000 in fiscal year 2017 are appropriated from the general fund to the commissioner of transportation for highway rail at-grade crossing safety improvement projects related to oil and other hazardous materials transported by rail, excluding grade separation projects, as identified in the legislative report under Laws 2014, chapter 312, article 10, section 10. Notwithstanding Minnesota Statutes, section 16A.28, this appropriation is available for three years after the year of appropriation.

(b) The base appropriation for projects under this section is \$23,000,000 each year.

ARTICLE 9
RAILROAD RECODIFICATION

Section 1. Minnesota Statutes 2014, section 270.80, subdivision 1, is amended to read:

Subdivision 1. **Applicability.** The following words and phrases when used in sections ~~270.80~~ 273.3712 to ~~270.87~~ 273.3719, unless the context clearly indicates otherwise, have the meanings ascribed to them in this section.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 2. Minnesota Statutes 2014, section 270.80, subdivision 2, is amended to read:

Subd. 2. **Railroad company.** "Railroad company" means:

(1) any company which as a common carrier operates a railroad or a line or lines of ~~railway~~ railroad situated within or partly within Minnesota; or

(2) any company owning or operating, other than as a common carrier, a railway principally used for transportation of taconite concentrates from the plant at which the taconite concentrates are produced in shipping form to a point of consumption or port for shipment beyond the state; or

(3) any company that produces concentrates from taconite and transports that taconite in the course of the concentrating process and before the concentrating process is completed to a concentrating plant located within the state over a railroad that is not a common carrier and ~~shall~~ does not use a common carrier or taconite railroad company as defined in clause (2) for the movement of the concentrate to a point of consumption or port for shipment beyond the state.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 3. Minnesota Statutes 2014, section 270.80, subdivision 3, is amended to read:

Subd. 3. **Operating property.** "Operating property" means all property owned or used by a railroad company in the performance of railroad transportation services, including ~~without limitation franchises, rights of way, bridges, trestles, shops, docks, wharves, buildings and structures.~~ but not limited to roads, locomotives, freight cars, and improvements on leased property. Operating property is listed and assessed by the commissioner where the property is located.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 4. Minnesota Statutes 2014, section 270.80, subdivision 4, is amended to read:

Subd. 4. **Nonoperating property.** "Nonoperating property" means ~~and includes~~ all property other than property defined in subdivision 3. Nonoperating property ~~shall include~~ includes real property ~~which that~~ is leased or rented, or available for lease or rent, to any person ~~which that~~ is not a railroad company. Vacant land ~~shall be~~ is presumed to be available for lease or rent if it has not been used as operating property for a period of one year immediately preceding the valuation date. Nonoperating property also includes land ~~which that~~ is not necessary and integral to the performance of railroad transportation services and ~~which that~~ is not used on a regular and continual basis in the performance of these services. Nonoperating property also includes that portion of a ~~general~~ corporation office building and its proportionate share of land ~~which that~~ is not used for ~~railway~~ railroad operation or purpose. Nonoperating property is assessed by the local or county assessor.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 5. Minnesota Statutes 2014, section 270.80, is amended by adding a subdivision to read:

Subd. 6. **Company.** "Company" means any corporation, limited liability company, association, partnership, trust, estate, fiduciary, public or private organization of any kind, or any other legal entity.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 6. Minnesota Statutes 2014, section 270.80, is amended by adding a subdivision to read:

Subd. 7. **Unit value.** "Unit value" means the value of the whole integrated system of a railroad company operating as a going concern without regard to the value of its component parts.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 7. Minnesota Statutes 2014, section 270.80, is amended by adding a subdivision to read:

Subd. 8. **Book depreciation.** "Book depreciation" means the accumulated depreciation shown by a railroad company on its books or allowed to the company by the Surface Transportation Board.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 8. Minnesota Statutes 2014, section 270.80, is amended by adding a subdivision to read:

Subd. 9. **Equalization.** "Equalization" means the adjustment of the estimated value of railroad operating property to the apparent sales ratio of commercial and industrial property.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 9. Minnesota Statutes 2014, section 270.80, is amended by adding a subdivision to read:

Subd. 10. **Exempt property.** "Exempt property" means property that is nontaxable for ad valorem tax purposes under Minnesota Statutes, including personal property exempt from taxation under chapter 272.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 10. Minnesota Statutes 2014, section 270.80, is amended by adding a subdivision to read:

Subd. 11. **Original cost.** "Original cost" means the amount paid for an asset by the current owner, as recorded on the railroad's books or allowed by the Surface Transportation Board.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 11. Minnesota Statutes 2014, section 270.80, is amended by adding a subdivision to read:

Subd. 12. **System.** "System" means a railroad's total real and personal property used in its railroad operations.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 12. Minnesota Statutes 2014, section 270.80, is amended by adding a subdivision to read:

Subd. 13. **Minnesota allocated value.** "Minnesota allocated value" means the value of a railroad company's operating property that is assigned to Minnesota for tax purposes.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 13. Minnesota Statutes 2014, section 270.81, subdivision 1, is amended to read:

Subdivision 1. **Valuation of operating property.** The operating property of every railroad company doing business in Minnesota shall be valued by the commissioner in the manner prescribed by sections ~~270.80~~ 273.3712 to ~~270.87~~ 273.3719.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 14. Minnesota Statutes 2014, section 270.81, subdivision 3, is amended to read:

Subd. 3. **Determination of type of property.** (a) The commissioner ~~shall have~~ has exclusive primary jurisdiction to determine ~~what~~ whether railroad property is operating property ~~and what is~~ or nonoperating property. In making ~~such~~ the determination, the commissioner ~~shall~~ may solicit information and opinions from outside the department and afford all interested persons an opportunity to submit data or views on the subject in writing or orally.

(b) ~~Local and county~~ assessors may submit written requests to the commissioner, asking for a determination ~~of the nature of specific~~ whether property owned by a railroad and located within their assessing jurisdiction is operating or nonoperating. ~~Any determination made by the commissioner may be appealed by the assessor to the Tax Court pursuant to chapter 271.~~ The requests must be submitted by April 1 of the assessing year. The commissioner must send the assessor a written determination by May 1. Assessors may appeal determinations made by the commissioner to the Tax Court under chapter 271.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 15. Minnesota Statutes 2014, section 270.81, is amended by adding a subdivision to read:

Subd. 6. **Deduction for nonoperating and exempt property.** Property that was part of the system, but is nonoperating property or is exempt from ad valorem taxation, is excluded from the Minnesota allocated value under section 273.3718, subdivision 1a. Only qualifying property located in Minnesota may be deducted from the Minnesota allocated value. The commissioner must deduct the market value of the property to be excluded. This must be calculated by multiplying the book value of the property by the market-to-book ratio of the unit. The company has the burden of proof to establish the property should be excluded from the Minnesota allocated value. The railroad company must submit schedules of exempt or nonoperating property as required by the commissioner. The remaining amount after this deduction is the Minnesota apportionable market value.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 16. Minnesota Statutes 2014, section 270.82, is amended to read:

270.82 REPORTS OF RAILROAD COMPANIES.

Subdivision 1. **Annual report required.** Before March 31, every railroad company doing business in Minnesota shall annually must file with the commissioner on or before March 31 a an annual report under oath setting forth the information prescribed by the commissioner to enable the commissioner to make the valuation and equalization required by sections ~~270.80~~ 273.3712 to ~~270.87~~ 273.3719. The commissioner shall prescribe the content, format, and manner of the report pursuant to section 270C.30. If a report is made by electronic means, the taxpayer's signature is defined under section 270C.304, except that a law administered by the commissioner includes the property tax laws.

Subd. 2. **Extension of time.** If the commissioner ~~for good~~ determines there is reasonable cause, the commissioner may extend the time for filing the report required by subdivision 1 for up to 15 days ~~the time for filing the report required by subdivision 1.~~

Subd. 3. **Amended reports.** A railroad company may file an amended report to correct or add information to the original report. Amended reports must be filed with the commissioner by April 30.

Subd. 4. **Failure to file reports.** (a) The commissioner may make the valuation provided by sections 273.3712 to 237.3719 according to the commissioner's best judgment based on available information, if any railroad company does not:

(1) make the report required by this section;

(2) permit an inspection and examination of its property, records, books, accounts, or other papers when requested by the commissioner; or

(3) appear before the commissioner or a person appointed under section 273.3715 when required to do so.

(b) If the commissioner makes the valuation under paragraph (a), the commissioner's valuation is final. Notwithstanding any other law to the contrary, the commissioner's valuation made under this subdivision is not administratively appealable.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 17. Minnesota Statutes 2014, section 270.83, subdivision 1, is amended to read:

Subdivision 1. **Powers of commissioner.** The commissioner ~~shall have~~ has the power to examine or cause to be examined any books, papers, records, or memoranda relevant to the determination of the valuation of operating property ~~as herein provided.~~ The commissioner ~~shall have the further power to~~ may require the attendance of any person having knowledge or information ~~in the premises concerning the valuation of the operating property,~~ to compel the production of books, papers, records, or memoranda by persons so required to attend, ~~to~~ take testimony on matters material to ~~such determination~~ determine the valuation of operating property, and administer oaths or affirmations.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 18. Minnesota Statutes 2014, section 270.83, subdivision 2, is amended to read:

Subd. 2. **Appointment of persons; subpoenas.** ~~For the purpose of making such examinations,~~ The commissioner may appoint ~~such persons~~ a person as the commissioner ~~may deem~~ deems necessary to make the examinations described in subdivision 1. ~~Such persons shall have the rights and powers of the examining of~~ An appointed person may examine books, papers, records, or memoranda, ~~and of subpoenaing subpoena witnesses, administering administer~~ oaths and affirmations, and ~~taking of~~ take testimony, ~~which are conferred upon the commissioner hereby.~~ The court administrator of any court of record, upon demand of any such appointed person, shall issue a subpoena for the attendance of any witness or the production of any books, papers, records, or memoranda before such person. The commissioner may also issue subpoenas for the appearance of witnesses ~~before the commissioner or before such persons.~~ Disobedience of subpoenas so issued shall be punished by the district court of the district in which the subpoena is issued for a contempt of the district court. Failure to comply with a subpoena shall be punished in the same manner as contempt of the district court.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 19. Minnesota Statutes 2014, section 270.84, is amended to read:

270.84 ANNUAL VALUATION OF OPERATING PROPERTY.

Subdivision 1. **Annual valuation; rules.** ~~(a) Before July 1, the commissioner shall annually between March 31 and May 31 make a determination of~~ must determine the fair market value of the operating property of every railroad company doing business in this state as of January 2 of the year in which the valuation is made. ~~In making this determination,~~ The commissioner ~~shall~~ must employ generally accepted appraisal principles and practices, which may include the unit method of determining value, and approaches approved by the Western States Association of Tax Administrators, National Conference of Unit Valuation States, and the International Association of Assessing Officers.

(b) The unit value of railroad property is the reconciled value considering the cost, income, and market approaches under subdivisions 1a, 1b, and 1c. Each approach must be weighted in accordance with the reliability of the information and the commissioner's judgment.

Subd. 1a. **Cost approach.** (a) The commissioner may use the cost approach, including but not limited to original cost less book depreciation and replacement cost less depreciation.

(b) Book depreciation is allowed as a deduction from an original cost model. Book depreciation is assumed to include all forms of appraisal depreciation.

(c) Explicitly calculated appraisal depreciation, including physical, functional, and external obsolescence, is allowed as a deduction from the replacement cost model.

Subd. 1b. **Income approach.** (a) The commissioner may use the income approach, including but not limited to direct capitalization models and yield capitalization models.

(b) The yield rate is calculated using market data on selected comparable companies in the band of investment method. Discounted cash flows is a yield capitalization model that calculates the present value of explicit cash flow forecasts capitalized using the yield rate, plus reversion to stable growth yield capitalization after the period of explicit forecasts. Stable growth yield capitalization is a yield capitalization model that calculates the present value of anticipated future cash flows, capitalized using the yield rate and considering growth.

(c) Direct capitalization is the expected net operating income for the following year, divided by the direct capitalization rate. The direct capitalization rate is calculated by using direct market observations from comparable sales or using market earning-to-price information in the band of investment method.

Subd. 1c. **Market approach.** The commissioner may use the market approach, including but not limited to a sales comparison model, a stock and debt model, or other market models that are available and reliable.

Subd. 2. **Notice.** The commissioner, after determining the fair market value of the operating property of each railroad company, ~~shall give notice to~~ must notify the railroad company of the valuation ~~by first class mail, overnight delivery, or messenger service.~~

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 20. Minnesota Statutes 2014, section 270.86, is amended to read:

270.86 APPORTIONMENT AND EQUALIZATION OF VALUATION.

Subdivision 1. **Apportionment of value.** ~~Upon determining (a) After allocating to Minnesota the fair market value of the operating property of each railroad company, the commissioner shall must apportion such the value to the respective counties and to the taxing districts therein in conformity with fair and reasonable rules and standards to be established by the commissioner pursuant to notice and hearing, except as provided in section 270.81. In establishing such rules and standards the commissioner may consider (a) the physical situs of all station houses, depots, docks, wharves, and other buildings and structures with an original cost in excess of \$10,000; (b) the proportion that the length and type of all the tracks used by the railroad in such county and taxing district bears to the length and type of all the track used in the state; and (c) other facts as will result in a fair and equitable apportionment of value the operating parcels in Minnesota.~~

(b) The apportioned market value of each company's operating parcel in Minnesota is the current original cost of each parcel as of the last assessment date plus original cost of new construction minus the original cost of property retired since the last assessment date. The total Minnesota apportionable market value of the railroad is divided by the total current original cost of the railroad in Minnesota to determine a percentage. The resulting percentage is multiplied by the current original cost of each parcel to determine the apportioned market value of each parcel.

Subd. 1a. **Allocation of value.** (a) After the market value of operating property has been estimated, the portion of value that is attributable to Minnesota must be determined by calculating an allocation percentage using factors relevant to the industry segment of the railroad company. The allocation percentage must be multiplied by the value of the operating property to determine the Minnesota allocated value.

(b) The Minnesota allocated value is determined by averaging the following factors:

(1) miles of railroad track operated in Minnesota divided by miles of railroad track operated in all states;

(2) ton miles of revenue freight transported in Minnesota divided by ton miles of revenue freight transported in all states;

(3) gross revenues from transportation operations within Minnesota divided by gross revenues from transportation operations in all states; and

(4) cost of railroad property in Minnesota divided by cost of railroad property in all states.

(c) Each of the available factors must be weighted equally.

Subd. 2. **Equalized valuation.** After making the apportionment provided in subdivision 1, the commissioner ~~shall must~~ determine the equalized valuation of the operating property in each county by applying to the apportioned value an estimated current year median sales ratio for all commercial and industrial property in that county. If the commissioner ~~decides~~ determines there are insufficient sales to determine a median commercial-industrial sales ratio, an estimated current year countywide median sales ratio for all property ~~shall must~~ be applied to the apportioned value. ~~No equalization shall~~ Equalization must not be made to the market value of the operating property if the median sales ratio determined pursuant to this subdivision is ~~within five~~ at least 90 but less than 105 percent of the assessment ratio of the railroad operating property.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 21. Minnesota Statutes 2014, section 270.87, is amended to read:

270.87 CERTIFICATION TO COUNTY ASSESSORS.

~~After making an annual determination of the equalized fair market value of the operating property of each company in each of the respective counties, and in the taxing districts therein, The commissioner shall must certify the equalized fair market value of the operating property to the county assessor ~~on or before June 30~~ August 1. The equalized fair market value of the operating property of the railroad company in the county and the taxing districts therein is the value on which taxes must be levied and collected in the same manner as on the commercial and industrial property of such county and the taxing districts therein in the counties and taxing districts. If the commissioner determines that the equalized fair market value certified ~~on or before June 30~~ August 1 is in error, the commissioner may issue a corrected certification ~~on or before August 31~~ October 1. The commissioner may correct errors that are merely clerical in nature until December 31.~~

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 22. **APPROPRIATIONS.**

The following sums are appropriated from the general fund to the agency to implement the provisions of this article as follows: \$266,000 in fiscal year 2016, \$14,000 in fiscal year 2017, \$13,000 in fiscal year 2018, and \$11,000 in fiscal year 2019. The sums indicated in this section for fiscal years 2016, 2017, and 2018 are onetime appropriations and are not added to the agency's permanent base. The sum indicated in this section for fiscal year 2019 shall become part of the agency's base.

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

Sec. 23. **REVISOR'S INSTRUCTION.**

The revisor of statutes shall renumber the provisions of Minnesota Statutes listed in column A to the references listed in column B. The revisor shall also make necessary cross-reference changes in Minnesota Statutes and Minnesota Rules consistent with renumbering.

<u>Column A</u>	<u>Column B</u>
<u>270.80</u>	<u>273.3712</u>
<u>270.81</u>	<u>273.3713</u>
<u>270.82</u>	<u>273.3714</u>
<u>270.83</u>	<u>273.3715</u>
<u>270.84</u>	<u>273.3716</u>
<u>270.85</u>	<u>273.3717</u>
<u>270.86</u>	<u>273.3718</u>
<u>270.87</u>	<u>273.3719</u>

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 24. **REPEALER.**

Minnesota Statutes 2014, sections 270.81, subdivision 4; and 270.83, subdivision 3, and Minnesota Rules, parts 8106.0100, subparts 1, 2, 3, 4, 5, 6, 7, 8, 10, 12, 13, 14, 17, 17a, 18, 19, 20, and 21; 8106.0300, subparts 1 and 3; 8106.0400; 8106.0500; 8106.0600; 8106.0700; 8106.0800; and 8106.9900, are repealed.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter."

Pages 227 to 230, delete sections 1 to 7

Page 232, before line 11, insert:

"Section 1. [16B.235] PUBLIC WORKS PROJECTS; USE AND SUPPLY OF AMERICAN STEEL PRODUCTS."

Subdivision 1. Definitions. (a) For purposes of this section, the terms defined in this subdivision have the meanings given them.

(b) "American steel products" means products rolled, formed, shaped, drawn, extruded, forged, cast, fabricated, or otherwise similarly processed, or processed by a combination of two or more of these operations, from steel made in the United States by the open hearth, basic oxygen, electric furnace, Bessemer, or other steel-making process.

(c) "Public agency" includes: (1) the state, or an agency, department, or institution of the state; and (2) any city or other municipal corporation, political subdivision, governmental unit, or public corporation created by or pursuant to state law.

(d) "Public funds" includes legislative appropriations and local or state tax revenue.

(e) "Public works" means a public structure, building, highway, waterway, street, bridge, transit system, airport, or other betterment, work, or improvement, whether of a permanent or temporary nature and whether for governmental or proprietary use.

Subd. 2. Requirement. A contract for the construction, reconstruction, alteration, repair, improvement, or maintenance of public works financed in whole or in part by public funds must contain a provision that all steel products used or supplied in the performance of the contract and any related subcontract must be American steel products.

Subd. 3. Nonapplication. This section does not apply if the public agency entering into the contract determines, in writing, that American steel products are not produced in, or available in, sufficient quantity to meet the requirements of the contract.

EFFECTIVE DATE; APPLICATION. This section is effective the day following final enactment and applies to contracts entered into on or after that date."

Page 232, delete section 9

Page 237, delete sections 15 to 18

Renumber the articles and sections in sequence and correct the internal references

Amend the title accordingly

Signed:

ANN LENCZEWSKI

Lenczewski moved that the Minority Report from the Committee on Ways and Means relating to H. F. No. 848 be substituted for the Majority Report and that the Minority Report be now adopted.

A roll call was requested and properly seconded.

LAY ON THE TABLE

Peppin moved that the Minority Report from the Committee on Ways and Means relating to H. F. No. 848 be laid on the table.

A roll call was requested and properly seconded.

The question was taken on the Peppin motion and the roll was called. There were 72 yeas and 55 nays as follows:

Those who voted in the affirmative were:

Albright	Dettmer	Hamilton	Lohmer	O'Driscoll	Scott
Anderson, M.	Drazkowski	Hancock	Loon	O'Neill	Smith
Anderson, P.	Erhardt	Heintzeman	Loonan	Peppin	Swedzinski
Anderson, S.	Erickson	Hertaus	Lucero	Petersburg	Theis
Backer	Fabian	Hoppe	Lueck	Peterson	Torkelson
Barrett	Fenton	Howe	Mack	Pierson	Uglem
Bennett	Franson	Johnson, B.	McDonald	Pugh	Urdahl
Christensen	Garofalo	Kelly	McNamara	Quam	Vogel
Cornish	Green	Kiel	Miller	Rarick	Whelan
Daniels	Gruenhagen	Knoblach	Nash	Runbeck	Wills
Davids	Gunther	Koznick	Newberger	Sanders	Zerwas
Dean, M.	Hackbarth	Kresha	Nornes	Schomacker	Spk. Daudt

Those who voted in the negative were:

Allen	Fischer	Johnson, S.	Masin	Pelowski	Thissen
Anzelc	Freiberg	Laine	Melin	Persell	Wagenius
Applebaum	Halverson	Lenczewski	Metsa	Pinto	Ward
Bernardy	Hansen	Lesch	Moran	Poppe	Yarusso
Bly	Hausman	Lien	Mullery	Schoen	Youakim
Carlson	Hilstrom	Lillie	Murphy, E.	Schultz	
Clark	Hornstein	Loeffler	Murphy, M.	Selcer	
Considine	Hortman	Mahoney	Nelson	Simonson	
Davnie	Isaacson	Mariani	Newton	Slocum	
Dehn, R.	Johnson, C.	Marquart	Norton	Sundin	

The motion prevailed and the Minority Report from the Committee on Ways and Means relating to H. F. No. 848 was laid on the table.

The question recurred on the adoption of the Majority Report from the Committee on Ways and Means relating to H. F. No. 848.

A roll call was requested and properly seconded.

The question was taken on the adoption of the Majority Report from the Committee on Ways and Means relating to H. F. No. 848 and the roll was called. There were 72 yeas and 55 nays as follows:

Those who voted in the affirmative were:

Albright	Dettmer	Hamilton	Lohmer	O'Driscoll	Scott
Anderson, M.	Drazkowski	Hancock	Loon	O'Neill	Smith
Anderson, P.	Erhardt	Heintzeman	Loonan	Peppin	Swedzinski
Anderson, S.	Erickson	Hertaus	Lucero	Petersburg	Theis
Backer	Fabian	Hoppe	Lueck	Peterson	Torkelson
Barrett	Fenton	Howe	Mack	Pierson	Uglem
Bennett	Franson	Johnson, B.	McDonald	Pugh	Urdahl
Christensen	Garofalo	Kelly	McNamara	Quam	Vogel
Cornish	Green	Kiel	Miller	Rarick	Whelan
Daniels	Gruenhagen	Knoblach	Nash	Runbeck	Wills
Davids	Gunther	Koznick	Newberger	Sanders	Zerwas
Dean, M.	Hackbarth	Kresha	Nornes	Schomacker	Spk. Daudt

Those who voted in the negative were:

Allen	Fischer	Johnson, S.	Masin	Pelowski	Thissen
Anzelc	Freiberg	Laine	Melin	Persell	Wagenius
Applebaum	Halverson	Lenczewski	Metsa	Pinto	Ward
Bernardy	Hansen	Lesch	Moran	Poppe	Yarusso
Bly	Hausman	Lien	Mullery	Schoen	Youakim
Carlson	Hilstrom	Lillie	Murphy, E.	Schultz	
Clark	Hornstein	Loeffler	Murphy, M.	Selcer	
Considine	Hortman	Mahoney	Nelson	Simonson	
Davnie	Isaacson	Mariani	Newton	Slocum	
Dehn, R.	Johnson, C.	Marquart	Norton	Sundin	

The Majority Report from the Committee on Ways and Means relating to H. F. No. 848 was adopted.

SECOND READING OF HOUSE BILLS

H. F. No. 848 was read for the second time.

SECOND READING OF SENATE BILLS

S. F. Nos. 878 and 1458 were read for the second time.

INTRODUCTION AND FIRST READING OF HOUSE BILLS

The following House Files were introduced:

Petersburg introduced:

H. F. No. 2270, A bill for an act relating to state government; authorizing placement of a plaque on the Capitol grounds to honor workers who constructed the Capitol building; appropriating money.

The bill was read for the first time and referred to the Committee on Government Operations and Elections Policy.

Newton introduced:

H. F. No. 2271, A bill for an act relating to capital investment; appropriating money for an office and meeting room facility for the Coon Creek Watershed District in Anoka County; authorizing the sale and issuance of state bonds.

The bill was read for the first time and referred to the Committee on Job Growth and Energy Affordability Policy and Finance.

Franson introduced:

H. F. No. 2272, A bill for an act relating to taxation; liquor; providing a credit for farm wineries; amending Minnesota Statutes 2014, section 297G.03, by adding a subdivision.

The bill was read for the first time and referred to the Committee on Taxes.

Bennett and Poppe introduced:

H. F. No. 2273, A bill for an act relating to capital investment; appropriating money for Riverland Community College; authorizing the sale and issuance of state bonds.

The bill was read for the first time and referred to the Committee on Higher Education Policy and Finance.

Peppin moved that the House recess subject to the call of the Chair.

A roll call was requested and properly seconded.

The question was taken on the Peppin motion and the roll was called. There were 71 yeas and 55 nays as follows:

Those who voted in the affirmative were:

Albright	Dettmer	Hamilton	Lohmer	O'Driscoll	Scott
Anderson, M.	Drazkowski	Hancock	Loon	O'Neill	Smith
Anderson, P.	Erickson	Heintzeman	Loonan	Peppin	Swedzinski
Anderson, S.	Fabian	Hertaus	Lucero	Petersburg	Theis
Backer	Fenton	Hoppe	Lueck	Peterson	Torkelson
Barrett	Franson	Howe	Mack	Pierson	Uglen
Bennett	Garofalo	Johnson, B.	McDonald	Pugh	Urdahl
Christensen	Green	Kelly	McNamara	Quam	Vogel
Cornish	Gruenhagen	Kiel	Miller	Rarick	Whelan
Daniels	Gunther	Knoblach	Nash	Runbeck	Wills
Davids	Hackbarth	Koznick	Newberger	Sanders	Zerwas
Dean, M.	Halverson	Kresha	Nornes	Schomacker	

Those who voted in the negative were:

Allen	Bernardy	Clark	Dehn, R.	Freiberg	Hilstrom
Anzelc	Bly	Considine	Erhardt	Hansen	Hornstein
Applebaum	Carlson	Davnie	Fischer	Hausman	Hortman

Isaacson	Lillie	Metsa	Norton	Selcer	Yarusso
Johnson, C.	Loeffler	Moran	Pelowski	Simonson	Youakim
Johnson, S.	Mahoney	Mullery	Persell	Slocum	
Laine	Mariani	Murphy, E.	Pinto	Sundin	
Lenczewski	Marquart	Murphy, M.	Poppe	Thissen	
Lesch	Masin	Nelson	Schoen	Wagenius	
Lien	Melin	Newton	Schultz	Ward	

The motion prevailed.

RECESS

RECONVENED

The House reconvened and was called to order by the Speaker.

Davnie was excused for the remainder of today's session.

Hortman was excused between the hours of 1:00 p.m. and 5:10 p.m.

CALENDAR FOR THE DAY

H. F. No. 844 was reported to the House.

Gruenhagen moved to amend H. F. No. 844, the second engrossment, as follows:

Page 2, after line 11, insert:

"Section 1. Minnesota Statutes 2014, section 120A.40, is amended to read:

120A.40 SCHOOL CALENDAR.

(a) Except for learning programs during summer, flexible learning year programs authorized under sections 124D.12 to 124D.127, and learning year programs under section 124D.128, a district must not commence an elementary or secondary school year before Labor Day, except as provided under paragraph (b). Days devoted to teachers' workshops may be held before Labor Day. Districts that enter into cooperative agreements are encouraged to adopt similar school calendars.

(b) A district may begin the school year on any day before Labor Day:

(1) to accommodate a construction or remodeling project of \$400,000 or more affecting a district school facility;

(2) if the district has an agreement under section 123A.30, 123A.32, or 123A.35 with a district that qualifies under clause (1); ~~or~~

(3) if the district agrees to the same schedule with a school district in an adjoining state; or

(4) if Labor Day is September 6 or 7."

Renumber the sections in sequence and correct the internal references

Correct the title numbers accordingly

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

Garofalo was excused between the hours of 2:15 p.m. and 3:15 p.m.

Urdahl moved to amend H. F. No. 844, the second engrossment, as follows:

Page 31, line 19, before the period, insert "and who agrees to try to pass the college-level skills examination or attain the requisite ACT or SAT scores during the term of the third, temporary one-year teaching license. Also at the request of the school district or charter school employer, the Board of Teaching must issue a standard teaching license to a teacher who, after being granted a third, temporary one-year teaching license, is determined by the school district or charter school employer, based on required teacher evaluations, to have been an effective teacher in each of the three consecutive school years during which the teacher taught full-time under a temporary, one-year teaching license"

The motion prevailed and the amendment was adopted.

Loon moved to amend H. F. No. 844, the second engrossment, as amended, as follows:

Page 79, line 25, after the period, insert "A district with a plan approved during the 2014-2015 school year may modify its plan during the 2015-2016 school year to conform the content of the plan to the requirements of this section but must have the content of the plan conform entirely with the requirements of this section beginning in the 2016-2017 school year."

The motion prevailed and the amendment was adopted.

Miller moved to amend H. F. No. 844, the second engrossment, as amended, as follows:

Page 24, after line 23, insert:

"Sec. 9. **[121A.35] STUDENT PHYSICAL PRIVACY ACT.**

Subdivision 1. Purpose. The purpose of this section is to protect and provide for the privacy and safety of all students enrolled in public schools and to maintain order and dignity in restrooms, locker rooms, changing rooms, showers, and other facilities where students may be in various states of undress in the presence of other students.

Subd. 2. Definitions. For the purposes of this section, the following terms have the meanings given them.

(a) "Sex" means the physical condition of being male or female, which is determined by a person's chromosomes and is identified at birth by a person's anatomy.

(b) "Public school" means a public school under section 120A.05, subdivisions 9, 11, 13, and 17, and a charter school under section 124D.10.

Subd. 3. Student physical privacy protection. (a) A public school student restroom, locker room, changing room, and shower room accessible by multiple students at the same time shall be designated for the exclusive use by students of the male sex only or by students of the female sex only.

(b) A public school student restroom, locker room, changing room, and shower room that is designated for the exclusive use of one sex shall be used only by members of that sex.

(c) In any other public school facility or setting where a student may be in a state of undress in the presence of other students, school personnel shall provide separate, private, and safe areas designated for use by students based on their sex.

(d) Nothing in this section shall prohibit public schools from providing accommodation such as single-occupancy facilities or controlled use of faculty facilities upon a student request due to special circumstances, but in no event shall that accommodation result in a public school allowing a student to use a facility designated under paragraph (b) for a sex other than the student's own sex."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed and the amendment was adopted.

Atkins moved to amend H. F. No. 844, the second engrossment, as amended, as follows:

Page 13, after line 31, insert:

"Sec. 22. **[127A.855] SCHOOL INSURANCE DISCLOSURES.**

Subdivision 1. School organization. For the purposes of this section, "school organization" means a school district, charter school, or teacher cooperative.

Subd. 2. Disclosures. An insurance producer that sells, solicits, or negotiates a group health insurance policy with a school organization shall disclose, prior to completion of the sale, all commissions, services fees, brokerage, or other valuable consideration the insurance producer may receive for all insurance sold to the school organization.

EFFECTIVE DATE. This section is effective August 1, 2015."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

Kresha moved to amend the Atkins amendment to H. F. No. 844, the second engrossment, as amended, as follows:

Page 1, line 6, after "producer" insert "or exclusive representative, as defined in section 179A.03, subdivision 8."

Page 1, line 8, after "sale" insert "or negotiation"

Page 1, line 9, after "producer" insert "or exclusive representative" and after "to" insert "or negotiated for"

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

The question recurred on the Atkins amendment, as amended, to H. F. No. 844, the second engrossment, as amended. The motion did not prevail and the amendment, as amended, was not adopted.

McDonald was excused for the remainder of today's session.

H. F. No. 844, A bill for an act relating to education; providing for funding and policy in early childhood, kindergarten through grade 12, and adult education, including general education, education excellence, standards and assessments, charter schools, special education, facilities and technology, nutrition and accounting, libraries, early childhood education, prevention, self-sufficiency and lifelong learning, state agencies, and forecast adjustments; requiring rulemaking; appropriating money; amending Minnesota Statutes 2014, sections 5A.03; 16A.103, subdivision 1c; 120A.41; 120B.02, subdivision 2; 120B.021, subdivision 4; 120B.022, subdivisions 1, 1a, 1b; 120B.024, subdivision 2; 120B.11, subdivision 1a; 120B.12, subdivision 4a; 120B.125; 120B.13, subdivision 4; 120B.30, subdivisions 1, 1a, 3; 120B.31, subdivision 4; 120B.36, subdivision 1; 121A.17, subdivision 5; 122A.09, subdivision 4, by adding subdivisions; 122A.14, subdivisions 3, 9, by adding a subdivision; 122A.18, subdivisions 2, 7c, 8; 122A.20, subdivision 1; 122A.21, subdivisions 1, 2; 122A.23; 122A.245, subdivisions 1, 3, 7; 122A.25; 122A.30; 122A.31, subdivisions 1, 2; 122A.40, subdivisions 5, 8, 10, 11, 13; 122A.41, subdivisions 2, 5, 6, 14; 122A.414, subdivision 2; 122A.60; 122A.61, subdivision 1; 122A.69; 122A.70, subdivision 1; 123A.24, subdivision 1; 123A.75, subdivision 1; 123B.045; 123B.59, subdivisions 6, 7; 123B.77, subdivision 3; 123B.88, subdivision 1, by adding a subdivision; 124D.041, subdivisions 1, 2; 124D.09, subdivisions 5, 5a, 8, 9, 12; 124D.091, subdivision 1; 124D.10, subdivisions 1, 3, 4, 8, 9, 12, 14, 16, 23, by adding a subdivision; 124D.11, subdivisions 1, 9; 124D.121; 124D.122; 124D.126, subdivision 1; 124D.127; 124D.128, subdivision 1; 124D.13; 124D.135; 124D.16; 124D.165; 124D.531, subdivisions 1, 2, 3; 124D.73, subdivisions 3, 4; 124D.74, subdivisions 1, 3, 6; 124D.75, subdivisions 1, 3, 9; 124D.76; 124D.78; 124D.79, subdivisions 1, 2; 124D.791, subdivision 4; 124D.861; 124D.862; 125A.01; 125A.023, subdivisions 3, 4; 125A.027; 125A.03; 125A.08; 125A.085; 125A.0942, subdivision 3; 125A.21; 125A.28; 125A.63, subdivisions 2, 3, 4, 5; 125A.75, subdivision 9; 125A.76, subdivisions 1, 2c; 125B.26, subdivision 2; 126C.10, subdivisions 1, 2, 2a, 2e, 3, 13a, 18, 24; 126C.13, subdivision 4; 126C.15, subdivisions 1, 2, 3; 126C.17, subdivisions 1, 2; 127A.05, subdivision 6; 127A.49, subdivision 1; 134.355, subdivisions 8, 9, 10; 135A.101, by adding a subdivision; 179A.20, by adding a subdivision; Laws 2013, chapter 116, article 1, section 58, subdivisions 2, as amended, 3, as amended, 4, as amended, 5, as amended, 6, as amended, 7, as amended, 11, as amended; article 3, section 37, subdivisions 3, as amended, 4, as amended, 5, as amended, 20, as amended; article 4, section 9, subdivision 2, as amended; article 5, section 31, subdivisions 2, as amended, 3, as amended, 4, as amended; article 6, section 12, subdivisions 2, as amended, 6, as amended; article 7, sections 19; 21, subdivisions 2, as amended, 3, as amended, 4, as amended; article 8, section 5, subdivisions 3, as amended, 4, as amended, 14, as

amended; Laws 2014, chapter 312, article 16, section 15; proposing coding for new law in Minnesota Statutes, chapters 119A; 121A; 122A; 124D; 125A; repealing Minnesota Statutes 2014, sections 120B.128; 122A.40, subdivision 11; 125A.63, subdivision 1; 126C.12, subdivision 6; 126C.13, subdivisions 3a, 3b, 3c; 126C.41, subdivision 1; Minnesota Rules, part 3500.1000.

The bill was read for the third time, as amended, and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 69 yeas and 61 nays as follows:

Those who voted in the affirmative were:

Albright	Dettmer	Hancock	Loon	Peppin	Swedzinski
Anderson, M.	Drazkowski	Heintzeman	Loonan	Petersburg	Theis
Anderson, P.	Erickson	Hertaus	Lucero	Peterson	Torkelson
Anderson, S.	Fabian	Hoppe	Lueck	Pierson	Urdahl
Backer	Fenton	Howe	Mack	Pugh	Vogel
Barrett	Franson	Johnson, B.	McNamara	Quam	Whelan
Bennett	Garofalo	Kelly	Miller	Rarick	Wills
Christensen	Green	Kiel	Nash	Runbeck	Zerwas
Cornish	Gruenhagen	Knoblach	Newberger	Sanders	Spk. Daudt
Daniels	Gunther	Koznick	Nornes	Schomacker	
Davids	Hackbarth	Kresha	O'Driscoll	Scott	
Dean, M.	Hamilton	Lohmer	O'Neill	Smith	

Those who voted in the negative were:

Allen	Erhardt	Johnson, S.	Marquart	Pelowski	Uglen
Anzelc	Fischer	Kahn	Masin	Persell	Wagenius
Applebaum	Freiberg	Laine	Melin	Pinto	Ward
Atkins	Halverson	Lenczewski	Metsa	Poppe	Winkler
Bernardy	Hansen	Lesch	Moran	Schoen	Yarusso
Bly	Hausman	Liebling	Mullery	Schultz	Youakim
Carlson	Hilstrom	Lien	Murphy, E.	Selcer	
Clark	Hornstein	Lillie	Murphy, M.	Simonson	
Considine	Hortman	Loeffler	Nelson	Slocum	
Dehn, R.	Isaacson	Mahoney	Newton	Sundin	
Dill	Johnson, C.	Mariani	Norton	Thissen	

The bill was passed, as amended, and its title agreed to.

REPORT FROM THE COMMITTEE ON RULES AND LEGISLATIVE ADMINISTRATION

Peppin from the Committee on Rules and Legislative Administration, pursuant to rules 1.21 and 3.33, designated the following bills to be placed on the Calendar for the Day for Tuesday, April 28, 2015 and established a prefiling requirement for amendments offered to the following bills:

S. F. Nos. 878, 1458 and 1238.

MOTIONS AND RESOLUTIONS

Carlson moved that the name of Murphy, M., be added as an author on H. F. No. 340. The motion prevailed.

Clark moved that the name of Murphy, M., be added as an author on H. F. No. 997. The motion prevailed.

Hertaus moved that the name of Freiberg be added as an author on H. F. No. 1048. The motion prevailed.

Zerwas moved that the name of Murphy, M., be added as an author on H. F. No. 1069. The motion prevailed.

Davnie moved that the name of Murphy, M., be added as an author on H. F. No. 1217. The motion prevailed.

Christensen moved that the name of Murphy, M., be added as an author on H. F. No. 1233. The motion prevailed.

Schultz moved that the name of Murphy, M., be added as an author on H. F. No. 1449. The motion prevailed.

Moran moved that the name of Murphy, M., be added as an author on H. F. No. 1610. The motion prevailed.

Moran moved that the name of Thissen be added as an author on H. F. No. 2139. The motion prevailed.

Hilstrom moved that the names of Freiberg, Atkins and Kahn be added as authors on H. F. No. 2228. The motion prevailed.

Torkelson moved that the name of Hausman be added as an author on H. F. No. 2269. The motion prevailed.

Torkelson moved that H. F. No. 621, now on the General Register, be re-referred to the Committee on Ways and Means. The motion prevailed.

ADJOURNMENT

Peppin moved that when the House adjourns today it adjourn until 3:30 p.m., Monday, April 27, 2015. The motion prevailed.

Peppin moved that the House adjourn. The motion prevailed, and the Speaker declared the House stands adjourned until 3:30 p.m., Monday, April 27, 2015.

PATRICK D. MURPHY, Chief Clerk, House of Representatives