

STATE OF MINNESOTA

NINETIETH SESSION — 2018

 ONE HUNDRED SECOND DAY

SAINT PAUL, MINNESOTA, SUNDAY, MAY 20, 2018

The House of Representatives convened at 12:00 noon and was called to order by Peggy Flanagan, Speaker pro tempore.

Prayer was offered by Representative Mary Murphy, District 3B, Hermantown, 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	Heintzeman	Loeffler	Omar	Slocum
Anderson, P.	Drazkowski	Hertaus	Lohmer	O'Neill	Smith
Anderson, S.	Ecklund	Hilstrom	Loon	Pelowski	Sundin
Anselmo	Erickson	Hoppe	Loonan	Peppin	Swedzinski
Backer	Fabian	Hortman	Lucero	Petersburg	Theis
Bahr, C.	Fenton	Jessup	Lueck	Peterson	Torkelson
Baker	Fischer	Johnson, B.	Mahoney	Pierson	Uglen
Barr, R.	Flanagan	Johnson, C.	Marquart	Pinto	Urdahl
Bennett	Franke	Jurgens	Masin	Poppe	Vogel
Bliss	Franson	Kiel	Metsa	Poston	Wagenius
Bly	Freiberg	Knoblach	Miller	Pryor	Ward
Carlson, A.	Garofalo	Koegel	Moran	Pugh	West
Carlson, L.	Green	Koznick	Munson	Quam	Whelan
Christensen	Grossell	Kresha	Murphy, M.	Rarick	Wills
Clark	Gruenhagen	Kunesh-Podein	Nash	Rosenthal	Youakim
Considine	Gunther	Layman	Nelson	Runbeck	Zerwas
Daniels	Haley	Lee	Neu	Sandstede	Spk. Daudt
Davids	Halverson	Lesch	Newberger	Sauke	
Davnie	Hamilton	Liebling	Nornes	Schomacker	
Dean, M.	Hansen	Lien	O'Driscoll	Schultz	
Dehn, R.	Hausman	Lillie	Olson	Scott	

A quorum was present.

Becker-Finn and Johnson, S., were excused.

Bernardy was excused until 1:40 p.m. Howe and Maye Quade were excused until 3:10 p.m. Allen was excused until 3:40 p.m. Mariani was excused until 4:05 p.m. McDonald was excused until 5:10 p.m. Murphy, E., was excused until 5:45 p.m. Applebaum and Hornstein were excused until 10:00 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.

The Speaker assumed the Chair.

PETITIONS AND COMMUNICATIONS

The following communications were received:

STATE OF MINNESOTA
OFFICE OF THE GOVERNOR
SAINT PAUL 55155

May 17, 2018

The Honorable Kurt Daudt
Speaker of the House of Representatives
The State of Minnesota

Dear Speaker Daudt:

Please be advised that I have received, approved, signed, and deposited in the Office of the Secretary of State the following House File:

H. F. No. 2982, relating to agricultural data; classifying agricultural research data maintained by the University of Minnesota.

Sincerely,

MARK DAYTON
Governor

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

The Honorable Kurt L. Daudt
Speaker of the House of Representatives

The Honorable Michelle L. Fischbach
President of the Senate

I have the honor to inform you that the following enrolled Acts of the 2018 Session of the State Legislature have been received from the Office of the Governor and are deposited in the Office of the Secretary of State for preservation, pursuant to the State Constitution, Article IV, Section 23:

<i>S. F. No.</i>	<i>H. F. No.</i>	<i>Session Laws Chapter No.</i>	<i>Time and Date Approved 2018</i>	<i>Date Filed 2018</i>
	2982	140	2:58 p.m. May 17	May 17
2762		141	2:59 p.m. May 17	May 17
614		143	3:01 p.m. May 17	May 17
2554		144	3:02 p.m. May 17	May 17
1694		145	3:03 p.m. May 17	May 17
3793		146	3:05 p.m. May 17	May 17

Sincerely,

STEVE SIMON
Secretary of State

INTRODUCTION AND FIRST READING OF HOUSE BILLS

The following House File was introduced:

Freiberg; Lee; Schultz; Bly; Mahoney; Mariani; Dehn, R.; Flanagan; Ecklund and Lesch introduced:

H. F. No. 4541, A bill for an act relating to marijuana; allowing individuals 21 years of age or older to consume and possess marijuana and marijuana products; providing regulation of marijuana for commercial purposes; authorizing rulemaking; taxing certain marijuana sales; amending Minnesota Statutes 2016, sections 144.413, subdivision 4, by adding subdivisions; 144.4165; 152.01, by adding subdivisions; 152.027, subdivisions 3, 4, by adding a subdivision; 152.092; 152.093; 297A.61, subdivision 4, by adding subdivisions; 297A.62, subdivision 1, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 152; proposing coding for new law as Minnesota Statutes, chapter 340B; repealing Minnesota Statutes 2016, section 144.414, subdivision 5.

The bill was read for the first time and referred to the Committee on Health and Human Services Reform.

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

RECESS

RECONVENED

The House reconvened and was called to order by Speaker pro tempore Garofalo.

The following Conference Committee Report was received:

CONFERENCE COMMITTEE REPORT ON H. F. No. 3972

A bill for an act relating to liquor; clarifying provisions relating to brewing and winemaking on premises; modifying off-sale hours; authorizing licenses; amending Minnesota Statutes 2016, sections 340A.33; 340A.34; Minnesota Statutes 2017 Supplement, section 340A.504, subdivision 4.

May 19, 2018

The Honorable Kurt L. Daudt
Speaker of the House of Representatives

The Honorable Michelle L. Fischbach
President of the Senate

We, the undersigned conferees for H. F. No. 3972 report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendment and that H. F. No. 3972 be further amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2016, section 340A.33, is amended to read:

340A.33 BREW ON PREMISES STORE.

Notwithstanding anything in this chapter, the owner of a brew on premises store shall not be considered a brewer, manufacturer, wholesaler, or retailer of intoxicating liquor if the owner complies with this section and with Code of Federal Regulations, title 27, part 25, subpart L, sections 25.205 and 25.206. For purposes of this section, a brew on premises store is a facility that provides the ingredients and equipment for a customer to use to brew malt liquor at the store. Alcoholic beverages may not be sold or otherwise provided to customers of a brew on premises store, unless the owner of the brew on premises store holds the appropriate liquor license, except that the tasting of malt liquor that is brewed by a customer or employee at the brew on premises store shall be permitted, if the malt liquor is not sold or offered for sale. Customers using the brew on premises store must be of the minimum age required to purchase intoxicating liquor. Malt liquor brewed by a customer in the store must not be sold and must be used by the customer solely for personal or family use.

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

Sec. 2. Minnesota Statutes 2016, section 340A.34, is amended to read:

340A.34 WINEMAKING ON PREMISES STORE.

A commercial establishment in which individuals make wine on the premises for personal and family use only and not for resale, using ingredients or materials or both supplied by the establishment, is not required to be licensed under this chapter if the establishment is operated in accordance with Code of Federal Regulations, title 27, section 24.75. No person under the age of 21 years may participate in the making of wine in such an establishment. Alcoholic beverages may not be sold or otherwise provided to customers of an establishment described in this section unless the establishment holds the appropriate license for such sale or provision, except that the tasting of wine that is made by a customer or employee at the winemaking on premises store shall be permitted, if the wine is not sold or offered for sale.

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

Sec. 3. **CITY OF MINNEAPOLIS; SPECIAL LICENSE.**

The city of Minneapolis may issue an on-sale intoxicating liquor license to a business located at 3753 Nicollet Avenue South, notwithstanding any law, local ordinance, or charter provision.

EFFECTIVE DATE. This section is effective upon approval by the Minneapolis City Council and compliance with Minnesota Statutes, section 645.021.

Sec. 4. **CITY OF MINNEAPOLIS; SPECIAL LICENSE.**

The city of Minneapolis may issue an on-sale intoxicating liquor license to a restaurant located at 4959 Penn Avenue South, notwithstanding any law, local ordinance, or charter provision.

EFFECTIVE DATE. This section is effective upon approval by the Minneapolis City Council and compliance with Minnesota Statutes, section 645.021.

Sec. 5. **CITY OF MINNEAPOLIS; SPECIAL LICENSE.**

The city of Minneapolis may issue an on-sale intoxicating liquor license to a restaurant located at 5400 Penn Avenue South, notwithstanding any law or local ordinance or charter provision.

EFFECTIVE DATE. This section is effective upon approval by the Minneapolis City Council and compliance with Minnesota Statutes, section 645.021.

Sec. 6. **OFF-SALE INTOXICATING LIQUOR LICENSE; HUBBARD COUNTY.**

Notwithstanding Minnesota Statutes, section 340A.405, subdivision 2, paragraph (e), the Hubbard County Board may issue an off-sale intoxicating liquor license to an exclusive liquor store located in Akeley Township. All other provisions of Minnesota Statutes, chapter 340A, not inconsistent with this section, apply to the license authorized under this section.

EFFECTIVE DATE. This section is effective upon approval by the Hubbard County Board and compliance with Minnesota Statutes, section 645.021.

Sec. 7. **SPECIAL LICENSE; CITY OF NORTH MANKATO.**

The city of North Mankato may issue an on-sale intoxicating liquor license, an on-sale wine license, or an on-sale malt liquor license for the city-owned facilities known as or operated by the Caswell Regional Sporting Complex, notwithstanding any law, local ordinance, or charter provision. A license issued under this section authorizes sales on all days of the week to persons attending events at the Caswell Regional Sporting Complex. The provisions of Minnesota Statutes, chapter 340A, not inconsistent with this section, apply to the licenses issued under this section. The city of North Mankato is deemed the licensee under this section, and the provisions of Minnesota Statutes, sections 340A.603 and 340A.604, apply to the licenses as if the facilities were a municipal liquor store.

EFFECTIVE DATE. This section is effective upon approval by the North Mankato City Council and compliance with Minnesota Statutes, section 645.021."

Delete the title and insert:

"A bill for an act relating to liquor; clarifying provisions relating to brewing and winemaking on premises; authorizing various intoxicating liquor licenses; amending Minnesota Statutes 2016, sections 340A.33; 340A.34."

We request the adoption of this report and repassage of the bill.

House Conferees: JIM NASH, BOB LOONAN and DIANE LOEFFLER.

Senate Conferees: GARY H. DAHMS, BILL WEBER and D. SCOTT DIBBLE.

Nash moved that the report of the Conference Committee on H. F. No. 3972 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

H. F. No. 3972, A bill for an act relating to liquor; clarifying provisions relating to brewing and winemaking on premises; modifying off-sale hours; authorizing licenses; amending Minnesota Statutes 2016, sections 340A.33; 340A.34; Minnesota Statutes 2017 Supplement, section 340A.504, subdivision 4.

The bill was read for the third time, as amended by Conference, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called. There were 119 yeas and 2 nays as follows:

Those who voted in the affirmative were:

Albright	Drazkowski	Heintzeman	Lillie	O'Driscoll	Schultz
Anderson, P.	Ecklund	Hertaus	Loeffler	Olson	Scott
Anderson, S.	Erickson	Hilstrom	Lohmer	O'Neill	Slocum
Anselmo	Fabian	Hoppe	Loon	Pelowski	Smith
Backer	Fenton	Hortman	Loonan	Peppin	Sundin
Bahr, C.	Fischer	Jessup	Lucero	Petersburg	Swedzinski
Baker	Flanagan	Johnson, B.	Lueck	Peterson	Theis
Barr, R.	Franke	Johnson, C.	Mahoney	Pierson	Torkelson
Bennett	Franson	Jurgens	Marquart	Pinto	Uglen
Bliss	Freiberg	Kiel	Masin	Poppe	Urdahl
Bly	Garofalo	Knoblach	Metsa	Poston	Vogel
Carlson, A.	Green	Koegel	Miller	Pryor	Wagenius
Carlson, L.	Grossell	Koznick	Moran	Pugh	Ward
Clark	Gruenhagen	Kresha	Munson	Quam	West
Considine	Gunther	Kunesh-Podein	Murphy, M.	Rarick	Whelan
Daniels	Haley	Layman	Nash	Rosenthal	Wills
Davids	Halverson	Lee	Nelson	Runbeck	Youakim
Davnie	Hamilton	Lesch	Neu	Sandstede	Zerwas
Dehn, R.	Hansen	Liebling	Newberger	Sauke	Spk. Daudt
Dettmer	Hausman	Lien	Nornes	Schomacker	

Those who voted in the negative were:

Christensen Dean, M.

The bill was repassed, as amended by Conference, and its title agreed to.

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

RECESS

RECONVENED

The House reconvened and was called to order by Speaker pro tempore Garofalo.

Dehn, R., was excused between the hours of 3:10 p.m. and 4:05 p.m.

The following Conference Committee Report was received:

CONFERENCE COMMITTEE REPORT ON H. F. No. 947

A bill for an act relating to education finance; clarifying the calculation of general education aid; amending Minnesota Statutes 2016, section 126C.13, subdivision 4.

May 20, 2018

The Honorable Kurt L. Daudt
Speaker of the House of Representatives

The Honorable Michelle L. Fischbach
President of the Senate

We, the undersigned conferees for H. F. No. 947 report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendment and that H. F. No. 947 be further amended as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1
K-12 EDUCATION

Section 1. Minnesota Statutes 2017 Supplement, section 16A.152, subdivision 2, is amended to read:

Subd. 2. **Additional revenues; priority.** (a) If on the basis of a forecast of general fund revenues and expenditures, the commissioner of management and budget determines that there will be a positive unrestricted budgetary general fund balance at the close of the biennium, the commissioner of management and budget must allocate money to the following accounts and purposes in priority order:

(1) the cash flow account established in subdivision 1 until that account reaches \$350,000,000;

(2) the budget reserve account established in subdivision 1a until that account reaches ~~\$1,596,522,000~~ \$1,608,364,000;

(3) the amount necessary to increase the aid payment schedule for school district aids and credits payments in section 127A.45 to not more than 90 percent rounded to the nearest tenth of a percent without exceeding the amount available and with any remaining funds deposited in the budget reserve; and

(4) the amount necessary to restore all or a portion of the net aid reductions under section 127A.441 and to reduce the property tax revenue recognition shift under section 123B.75, subdivision 5, by the same amount; ~~and~~

~~(5) the clean water fund established in section 114D.50 until \$22,000,000 has been transferred into the fund.~~

(b) The amounts necessary to meet the requirements of this section are appropriated from the general fund within two weeks after the forecast is released or, in the case of transfers under paragraph (a), clauses (3) and (4), as necessary to meet the appropriations schedules otherwise established in statute.

(c) The commissioner of management and budget shall certify the total dollar amount of the reductions under paragraph (a), clauses (3) and (4), to the commissioner of education. The commissioner of education shall increase the aid payment percentage and reduce the property tax shift percentage by these amounts and apply those reductions to the current fiscal year and thereafter.

~~(d) Paragraph (a), clause (5), expires after the entire amount of the transfer has been made.~~

Sec. 2. Minnesota Statutes 2016, section 122A.61, subdivision 1, is amended to read:

Subdivision 1. **Staff development revenue.** (a) A district is required to reserve an amount equal to at least two percent of the basic revenue under section 126C.10, subdivision 2, for:

- (1) teacher development and evaluation under section 122A.40, subdivision 8, or 122A.41, subdivision 5;
- (2) principal development and evaluation under section 123B.147, subdivision 3;
- (3) professional development under section 122A.60; and
- (4) in-service education for programs under section 120B.22, subdivision 2.

To the extent extra funds remain, staff development revenue may be used for staff development plans, including plans for challenging instructional activities and experiences under section 122A.60, and for curriculum development and programs, other in-service education, teachers' mentoring under section 122A.70 and evaluation, teachers' workshops, teacher conferences, the cost of substitute teachers for staff development purposes, preservice and in-service education for special education professionals and paraprofessionals, and other related costs for staff development efforts. A district may annually waive the requirement to reserve their basic revenue under this section if a majority vote of the licensed teachers in the district and a majority vote of the school board agree to a resolution to waive the requirement. A district in statutory operating debt is exempt from reserving basic revenue according to this section. Districts may expend an additional amount of unreserved revenue for staff development based on their needs.

(b) Notwithstanding paragraph (a), for fiscal year 2019 only, a school board may on its own accord adopt a written resolution waiving the two percent reserve for staff development or establishing a different percentage reserve.

Sec. 3. **ONETIME COMPENSATION AND SCHOOL AID.**

Subdivision 1. **Temporary reduction.** \$50,000,000 in fiscal year 2019 is transferred from the budget reserve under Minnesota Statutes, section 16A.152, subdivision 1a, to the general fund.

Subd. 2. **School trust lands; appropriation for past activities.** \$50,000,000 in fiscal year 2019 is appropriated from the general fund to the commissioner of education for payment to schools under subdivision 3 for past activities conducted on school trust lands that did not maximize deposits to the permanent school trust fund as specified under Minnesota Statutes, section 84.027, subdivision 18, paragraph (b).

Subd. 3. **Student and school safety aid.** (a) For fiscal year 2019 only, concurrent with the September 2018 apportionment from the school endowment fund to each school district and charter school under Minnesota Statutes, section 127A.33, the commissioner must distribute student and school safety aid equal to \$57.73 times the adjusted average daily membership for the previous school year.

(b) The state aid received under this section may be used for student and staff safety activities consistent with Minnesota Statutes, section 126C.44, or for any other school-related purpose as deemed appropriate by the board.

Sec. 4. **COMMUNITY SERVICE FUND; FUND TRANSFERS.**

(a) On June 30, 2018, and June 30, 2019, upon approval of the commissioner of education and notwithstanding Minnesota Statutes, section 123B.79, 123B.80, or 124D.20, subdivision 10, a school district may permanently transfer any amount approved by the commissioner from its community education reserve fund balance to its undesignated general fund.

(b) To the extent practicable, when making the fund transfer under this section, each school district must abide by its board's fund balance policy, unless the funds are transferred for an eligible use under Minnesota Statutes, section 124D.18.

(c) A school district requesting a fund transfer under this section must apply for the transfer in the form and manner specified by the commissioner.

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

ARTICLE 2 FEDERAL TAX CONFORMITY

Section 1. Minnesota Statutes 2017 Supplement, section 270A.03, subdivision 5, is amended to read:

Subd. 5. **Debt.** (a) "Debt" means a legal obligation of a natural person to pay a fixed and certain amount of money, which equals or exceeds \$25 and which is due and payable to a claimant agency. The term includes criminal fines imposed under section 609.10 or 609.125, fines imposed for petty misdemeanors as defined in section 609.02, subdivision 4a, and restitution. A debt may arise under a contractual or statutory obligation, a court order, or other legal obligation, but need not have been reduced to judgment.

A debt includes any legal obligation of a current recipient of assistance which is based on overpayment of an assistance grant where that payment is based on a client waiver or an administrative or judicial finding of an intentional program violation; or where the debt is owed to a program wherein the debtor is not a client at the time notification is provided to initiate recovery under this chapter and the debtor is not a current recipient of food support, transitional child care, or transitional medical assistance.

(b) A debt does not include any legal obligation to pay a claimant agency for medical care, including hospitalization if the income of the debtor at the time when the medical care was rendered does not exceed the following amount:

- (1) for an unmarried debtor, an income of ~~\$12,560~~ \$13,180 or less;
- (2) for a debtor with one dependent, an income of ~~\$16,080~~ \$16,878 or less;
- (3) for a debtor with two dependents, an income of ~~\$19,020~~ \$19,959 or less;
- (4) for a debtor with three dependents, an income of ~~\$21,580~~ \$22,643 or less;
- (5) for a debtor with four dependents, an income of ~~\$22,760~~ \$23,887 or less; and
- (6) for a debtor with five or more dependents, an income of ~~\$23,730~~ \$24,900 or less.

For purposes of this paragraph, "debtor" means the individual whose income, together with the income of the individual's spouse, other than a separated spouse, brings the individual within the income provisions of this paragraph. For purposes of this paragraph, a spouse, other than a separated spouse, shall be considered a dependent.

(c) The commissioner shall adjust the income amounts in paragraph (b) 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 "2014" "2017" shall be substituted for the word "1992." ~~For 2016, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2014, to the 12 months ending on August 31, 2015, and in each subsequent year, from the 12 months ending on August 31, 2014, to the 12 months ending on August 31 of the year~~

~~preceding the taxable year.~~ "2016." The determination of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14. The income 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.

(d) Debt also includes an agreement to pay a MinnesotaCare premium, regardless of the dollar amount of the premium authorized under section 256L.15, subdivision 1a.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 2. Minnesota Statutes 2017 Supplement, section 289A.02, subdivision 7, is amended to read:

Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December 16, 2016~~ March 31, 2018.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 3. Minnesota Statutes 2016, section 289A.08, subdivision 1, is amended to read:

Subdivision 1. **Generally; individuals.** (a) A taxpayer must file a return for each taxable year the taxpayer is required to file a return under section 6012 of the Internal Revenue Code or meets the requirements under paragraph (d) to file a return, except that:

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

(2) an individual who is a Minnesota resident is not required to file a Minnesota income tax return if the individual's gross income derived from Minnesota sources as determined under section 290.17, less the subtractions allowed under section 290.0132, subdivisions 12 and 15, is less than the filing requirements for a single individual who is a full-year resident of Minnesota.

(b) The decedent's final income tax return, and other income tax returns for prior years where the decedent had gross income in excess of the minimum amount at which an individual is required to file and did not file, must be filed by the decedent's personal representative, if any. If there is no personal representative, the return or returns must be filed by the transferees, as defined in section 270C.58, subdivision 3, who receive property of the decedent.

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

(d) The commissioner of revenue shall annually determine the gross income levels at which individuals are required to file a return for each taxable year based on the amounts that may be deducted under section 290.0803 and the personal and dependent exemptions under section 290.0138.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 4. Minnesota Statutes 2016, section 289A.08, subdivision 7, is amended to read:

Subd. 7. **Composite income tax returns for nonresident partners, shareholders, and beneficiaries.** (a) The commissioner may allow a partnership with nonresident partners to file a composite return and to pay the tax on behalf of nonresident partners who have no other Minnesota source income. This composite return must include the names, addresses, Social Security numbers, income allocation, and tax liability for the nonresident partners electing to be covered by the composite return.

(b) The computation of a partner's tax liability must be determined by multiplying the income allocated to that partner by the highest rate used to determine the tax liability for individuals under section 290.06, subdivision 2c. Nonbusiness deductions, standard deductions, or personal exemptions are not allowed.

(c) The partnership must submit a request to use this composite return filing method for nonresident partners. The requesting partnership must file a composite return in the form prescribed by the commissioner of revenue. The filing of a composite return is considered a request to use the composite return filing method.

(d) The electing partner must not have any Minnesota source income other than the income from the partnership and other electing partnerships. If it is determined that the electing partner has other Minnesota source income, the inclusion of the income and tax liability for that partner under this provision will not constitute a return to satisfy the requirements of subdivision 1. The tax paid for the individual as part of the composite return is allowed as a payment of the tax by the individual on the date on which the composite return payment was made. If the electing nonresident partner has no other Minnesota source income, filing of the composite return is a return for purposes of subdivision 1.

(e) This subdivision does not negate the requirement that an individual pay estimated tax if the individual's liability would exceed the requirements set forth in section 289A.25. The individual's liability to pay estimated tax is, however, satisfied when the partnership pays composite estimated tax in the manner prescribed in section 289A.25.

(f) If an electing partner's share of the partnership's gross income from Minnesota sources is less than the filing requirements for a nonresident under this subdivision, the tax liability is zero. However, a statement showing the partner's share of gross income must be included as part of the composite return.

(g) The election provided in this subdivision is only available to a partner who has no other Minnesota source income and who is either (1) a full-year nonresident individual or (2) a trust or estate that does not claim a deduction under either section 651 or 661 of the Internal Revenue Code.

(h) A corporation defined in section 290.9725 and its nonresident shareholders may make an election under this paragraph. The provisions covering the partnership apply to the corporation and the provisions applying to the partner apply to the shareholder.

(i) Estates and trusts distributing current income only and the nonresident individual beneficiaries of the estates or trusts may make an election under this paragraph. The provisions covering the partnership apply to the estate or trust. The provisions applying to the partner apply to the beneficiary.

(j) For the purposes of this subdivision, "income" means the partner's share of federal adjusted gross income from the partnership modified by the additions provided in section 290.0131, subdivisions 8 to ~~10~~ and 17, and the subtractions provided in: (1) section 290.0132, subdivision 9, to the extent the amount is assignable or allocable to Minnesota under section 290.17; and (2) section 290.0132, subdivision 14. The subtraction allowed under section 290.0132, subdivision 9, is only allowed on the composite tax computation to the extent the electing partner would have been allowed the subtraction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 5. Minnesota Statutes 2017 Supplement, section 289A.12, subdivision 14, is amended to read:

Subd. 14. **Reporting exempt interest and exempt-interest dividends.** (a) A regulated investment company paying \$10 or more in exempt-interest dividends to an individual who is a resident of Minnesota, or any person receiving \$10 or more of exempt interest or exempt-interest dividends and paying as nominee to an individual who is a resident of Minnesota, must make a return indicating the amount of the exempt interest or exempt-interest dividends, the name, address, and Social Security number of the recipient, and any other information that the commissioner specifies. The return must be provided to the recipient by February 15 of the year following the year of the payment. The return provided to the recipient must include a clear statement, in the form prescribed by the commissioner, that the exempt interest or exempt-interest dividends must be included in the computation of Minnesota taxable income. By June 1 of each year, the payer must file a copy of the return with the commissioner.

(b) For purposes of this subdivision, the following definitions apply.

(1) "Exempt-interest dividends" mean exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, but does not include the portion of exempt-interest dividends that are not required to be added to federal ~~taxable~~ adjusted gross income under section 290.0131, subdivision 2, paragraph (b).

(2) "Regulated investment company" means regulated investment company as defined in section 851(a) of the Internal Revenue Code or a fund of the regulated investment company as defined in section 851(g) of the Internal Revenue Code.

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 6. Minnesota Statutes 2016, section 289A.20, is amended by adding a subdivision to read:

Subd. 1a. **Tax on deferred foreign income; election to pay in installments.** (a) A taxpayer subject to tax under section 290.06, subdivision 1, may elect to pay the net tax liability on the deferred foreign income in installments in the same percentages of the net tax liability for each taxable year as provided in section 965(h)(1) of the Internal Revenue Code. Payment of an installment for a taxable year is due on the due date, determined without regard to any extensions of time for filing the return, for the tax return for that taxable year.

(b) If an acceleration of payment applies for federal income tax purposes under section 965(h)(3) of the Internal Revenue Code, the unpaid portion of the remaining installments due under chapter 290 must be paid on the same date as the federal tax is due. Assessment of deficiencies must be prorated as provided under section 965(h)(4) of the Internal Revenue Code.

(c) For purposes of determining date and time limits under sections 270C.62, 270C.63, 270C.67, and 270C.68, the date on which an installment is due under paragraph (a), including any acceleration under paragraph (b), must be treated as the assessment date, due date, or other date from which the time limit must be determined for that payment.

(d) For purposes of this subdivision, "net tax liability" means the excess of:

(1) the tax liability, determined under chapter 290, for the taxable year in which the deferred foreign income was includible in federal taxable income; over

(2) the tax liability, determined under chapter 290, for that taxable year computed after excluding the deferred foreign income under section 965 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2016.

Sec. 7. Minnesota Statutes 2017 Supplement, section 289A.35, is amended to read:

289A.35 ASSESSMENTS ON RETURNS.

(a) The commissioner may audit and adjust the taxpayer's computation of federal adjusted gross income, federal taxable income, items of federal tax preferences, or federal credit amounts to make them conform with the provisions of chapter 290 or section 298.01. If a return has been filed, the commissioner shall enter the liability reported on the return and may make any audit or investigation that is considered necessary.

(b) Upon petition by a taxpayer, and when the commissioner determines that it is in the best interest of the state, the commissioner may allow S corporations and partnerships to receive orders of assessment issued under section 270C.33, subdivision 4, on behalf of their owners, and to pay liabilities shown on such orders. In such cases, the owners' liability must be calculated using the method provided in section 289A.08, subdivision 7, paragraph (b).

(c) A taxpayer may petition the commissioner for the use of the method described in paragraph (b) after the taxpayer is notified that an audit has been initiated and before an order of assessment has been issued.

(d) A determination of the commissioner under paragraph (b) to grant or deny the petition of a taxpayer cannot be appealed to the Tax Court or any other court.

(e) The commissioner may audit and adjust the taxpayer's computation of tax under chapter 291. In the case of a return filed pursuant to section 289A.10, the commissioner shall notify the estate no later than nine months after the filing date, as provided by section 289A.38, subdivision 2, whether the return is under examination or the return has been processed as filed.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 8. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to read:

Subd. 14a. **Surviving spouse.** The term "surviving spouse" means an individual who is a surviving spouse under section 2(a) of the Internal Revenue Code for the taxable year.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 9. Minnesota Statutes 2017 Supplement, section 290.01, subdivision 19, is amended to read:

Subd. 19. **Net income.** (a) For a corporation taxable under section 290.02, and an estate or a trust taxable under section 290.03, the term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating the federal effective dates of changes to the Internal Revenue Code and any elections made by the taxpayer in accordance with the Internal Revenue Code in determining federal taxable income for federal income tax purposes, and with the modifications provided in sections 290.0131 to 290.0136.

(b) For an individual, the term "net income" means federal adjusted gross income with the modifications provided in sections 290.0131, 290.0132, and 290.0135 to 290.0137.

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

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

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

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

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

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

(f) The Internal Revenue Code of 1986, as amended through ~~December 16, 2016~~ March 31, 2018, shall be in effect for taxable years beginning after December 31, 1996.

(g) Except as otherwise provided, references to the Internal Revenue Code in this subdivision and sections 290.0131 to 290.0136 mean the code in effect for purposes of determining net income for the applicable year.

EFFECTIVE DATE. This section is effective the day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time as the changes were effective for federal purposes and the changes amending the new paragraph (a) and adding paragraph (b) are effective for taxable years beginning after December 31, 2017.

Sec. 10. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to read:

Subd. 19i. **Deferred foreign income.** "Deferred foreign income" means the income of a domestic corporation that is included in net income under section 965 of the Internal Revenue Code, inclusive of the deduction allowed under section 965(c) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2016.

Sec. 11. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to read:

Subd. 21a. **Adjusted gross income; federal adjusted gross income.** The terms "adjusted gross income" and "federal adjusted gross income" mean adjusted gross income, as defined in section 62 of the Internal Revenue Code, as amended through the date named in subdivision 19, incorporating the federal effective date of changes to the Internal Revenue Code and any elections made by the taxpayer under the Internal Revenue Code in determining federal adjusted gross income for federal income tax purposes.

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

Sec. 12. Minnesota Statutes 2016, section 290.01, subdivision 29a, is amended to read:

Subd. 29a. **State itemized deduction.** (a) "State itemized deduction" means federal itemized deductions, as defined in section 63(d) of the Internal Revenue Code, disregarding ~~any limitation under section 68 of the Internal Revenue Code, and reduced by the amount of the addition required under section 290.0131, subdivision 13.~~

(1) changes to itemized deductions made by Public Law 115-97, but including the changes made by sections 11027, 13704, and 13705 of that public law; and

(2) the federal itemized deduction of income or sales taxes under section 164 of the Internal Revenue Code.

(b) For an individual who is not a resident of this state for the entire taxable year, the itemized deductions allowable under paragraph (a) are further limited as follows:

(1) the taxes paid deduction under section 164 of the Internal Revenue Code applies only to real and personal property taxes imposed by this state or its political subdivisions;

(2) the charitable contribution deduction under section 170 of the Internal Revenue Code does not apply;

(3) the interest deduction under section 163 of the Internal Revenue Code is limited to:

(i) interest paid on loans secured by a mortgage or lien on a residence located in this state; and

(ii) interest paid or accrued on indebtedness properly allocable to property held for investment located in this state;

(4) allowable miscellaneous deductions are limited to expenses related to:

(i) the production of income in this state;

(ii) property located in this state; or

(iii) taxes paid to this state or its political subdivisions; and

(5) the deduction for losses under section 165 of the Internal Revenue Code is limited to losses attributable to property located in this state.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 13. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to read:

Subd. 29b. **State standard deduction.** "State standard deduction" means the federal standard deduction computed under section 63(c) and (f) of the Internal Revenue Code, as amended through December 16, 2016, except that for purposes of adjusting the amounts under this subdivision, the provisions of section 1(f) of the Internal Revenue Code, as amended through March 31, 2018, apply.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 14. Minnesota Statutes 2017 Supplement, section 290.01, subdivision 31, is amended to read:

Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December 16, 2016~~ March 31, 2018. Internal Revenue Code also includes any uncodified provision in federal law that relates to provisions of the Internal Revenue Code that are incorporated into Minnesota law. When used in this chapter, the reference to "subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code" is to the Internal Revenue Code as amended through March 18, 2010.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to the same taxable years as the changes incorporated by federal changes are effective for federal purposes, including any provisions that are retroactive to taxable years beginning after December 31, 2016.

Sec. 15. Minnesota Statutes 2016, section 290.0131, subdivision 1, is amended to read:

Subdivision 1. **Definition; scope.** (a) For the purposes of this section, "addition" means an amount that must be added to federal ~~taxable~~ adjusted gross income, or for estates and trusts, federal taxable income, in computing net income for the taxable year to which the amounts relate.

(b) The additions in this section apply to individuals, estates, and trusts.

(c) Unless specifically indicated or unless the context clearly indicates otherwise, only amounts that were deducted or excluded in computing federal ~~taxable~~ adjusted gross income, or for estates and trusts, federal taxable income, are an addition under this section.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 16. Minnesota Statutes 2016, section 290.0131, subdivision 3, is amended to read:

Subd. 3. **Income, sales and use, motor vehicle sales, or excise taxes paid.** ~~(a) For trusts and estates,~~ the amount of income, sales and use, motor vehicle sales, or excise taxes paid or accrued within the taxable year under this chapter and the amount of taxes based on net income, sales and use, motor vehicle sales, or excise taxes paid to any other state or to any province or territory of Canada is an addition to the extent deducted under section 63(d) of the Internal Revenue Code.

~~(b) The addition under paragraph (a) may not be more than the amount by which the state itemized deduction exceeds the amount of the standard deduction as defined in section 63(c) of the Internal Revenue Code. For the purpose of this subdivision, income, sales and use, motor vehicle sales, or excise taxes are the last itemized deductions disallowed under subdivision 12.~~

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 17. Minnesota Statutes 2017 Supplement, section 290.0131, subdivision 10, is amended to read:

Subd. 10. **Section 179 expensing.** Effective for property placed in service in taxable years beginning before January 1, 2018, 80 percent of the amount by which the deduction allowed under the dollar limits of section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code, as amended through December 31, 2003, is an addition.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 18. Minnesota Statutes 2016, section 290.0131, subdivision 12, is amended to read:

Subd. 12. **Disallowed itemized deductions.** (a) The amount of disallowed itemized deductions is an addition. The amount of disallowed itemized deductions, ~~plus the addition required under subdivision 3,~~ may not be more than the amount by which the state itemized deductions, ~~as allowed under section 63(d) of the Internal Revenue Code,~~ exceeds the amount of the state standard deduction ~~as defined in section 63(e) of the Internal Revenue Code.~~

(b) The amount of disallowed itemized deductions is equal to the lesser of:

(1) three percent of the excess of the taxpayer's federal adjusted gross income over the applicable amount; or

(2) 80 percent of the amount of the state itemized deductions otherwise allowable to the taxpayer under the Internal Revenue Code for the taxable year.

(c) "Applicable amount" means ~~\$100,000~~ \$190,050, or ~~\$50,000~~ \$95,025 for a married individual filing a separate return. Each dollar amount is increased by an amount equal to:

(1) that dollar amount, multiplied by

(2) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue Code for the calendar year in which the taxable year begins, by substituting "~~calendar year 1990~~" for "~~calendar year 1992~~" ~~in subparagraph (B) of section 1(f)(3)~~ "2017" for "2016" in section 1(f)(3) of the Internal Revenue Code.

(d) "Itemized deductions" excludes:

(1) the deduction for medical expenses under section 213 of the Internal Revenue Code;

(2) any deduction for investment interest as defined in section 163(d) of the Internal Revenue Code; and

(3) the deduction under section 165(a) of the Internal Revenue Code for casualty or theft losses described in paragraph (2) or (3) of section 165(c) of the Internal Revenue Code or for losses described in section 165(d) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 19. Minnesota Statutes 2016, section 290.0131, subdivision 13, is amended to read:

Subd. 13. **Disallowed personal exemption amount.** (a) The amount of disallowed personal exemptions for taxpayers with federal adjusted gross income over the threshold amount is an addition.

(b) The disallowed personal exemption amount is equal to the ~~number of personal exemptions and dependent exemption subtraction~~ allowed under section ~~151(b) and (c) of the Internal Revenue Code~~ 290.0132, subdivision 20, multiplied by the ~~dollar amount for personal exemptions under section 151(d)(1) and (2) of the Internal Revenue Code, as adjusted for inflation by section 151(d)(4) of the Internal Revenue Code, and by the applicable percentage.~~

(c) For a married individual filing a separate return, "applicable percentage" means two percentage points for each \$1,250, or fraction of that amount, by which the taxpayer's federal adjusted gross income for the taxable year exceeds the threshold amount. For all other filers, applicable percentage means two percentage points for each \$2,500, or fraction of that amount, by which the taxpayer's federal adjusted gross income for the taxable year exceeds the threshold amount. The applicable percentage must not exceed 100 percent.

(d) "Threshold amount" means:

- (1) ~~\$150,000~~ \$285,050 for a joint return or a surviving spouse;
- (2) ~~\$125,000~~ \$237,550 for a head of a household;
- (3) ~~\$100,000~~ \$190,050 for an individual who is not married and who is not a surviving spouse or head of a household; and
- (4) ~~\$75,000~~ \$95,025 for a married individual filing a separate return.

(e) The thresholds must be increased by an amount equal to:

- (1) the threshold dollar amount, multiplied by
- (2) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue Code for the calendar year in which the taxable year begins, by substituting "~~calendar year 1990~~" for "~~calendar year 1992~~" in subparagraph (B) of section 1(f)(3) "2017" for "2016" in section 1(f)(3) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 20. Minnesota Statutes 2016, section 290.0131, is amended by adding a subdivision to read:

Subd. 15. **Qualified business income addition.** For a trust or estate, the amount deducted under section 199A of the Internal Revenue Code in computing the federal taxable income of the trust or estate is an addition.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 21. Minnesota Statutes 2016, section 290.0131, is amended by adding a subdivision to read:

Subd. 16. **Foreign-derived intangible income.** The amount of foreign-derived intangible income deducted under section 250 of the Internal Revenue Code for the taxable year is an addition.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 22. Minnesota Statutes 2016, section 290.0131, is amended by adding a subdivision to read:

Subd. 17. **529 plan distributions for K-12 expenses.** The lesser of the following amounts is an addition:

(1) the total distributions for the taxable year from a qualified plan under section 529 of the Internal Revenue Code, owned by the taxpayer, that are expended for qualified higher education expenses under section 529(c)(7) of the Internal Revenue Code (expenses for tuition for elementary or secondary public, private, or religious school); or

(2) the total amount required to be reported to the taxpayer by any trustee of a qualified tuition plan under section 529 of the Internal Revenue Code as earnings on Internal Revenue Service Form 1099Q for the taxable year.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 23. Minnesota Statutes 2016, section 290.0132, subdivision 1, is amended to read:

Subdivision 1. **Definition; scope.** (a) For the purposes of this section, "subtraction" means an amount that ~~shall~~ is allowed to be subtracted from federal taxable adjusted gross income, or for estates and trusts, federal taxable income, in computing net income for the taxable year to which the amounts relate.

(b) The subtractions in this section apply to individuals, estates, and trusts.

(c) Unless specifically indicated or unless the context clearly indicates otherwise, no amount deducted, subtracted, or otherwise excluded in computing federal ~~taxable adjusted gross income, or for estates and trusts,~~ federal taxable income, is a subtraction under this section.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 24. Minnesota Statutes 2016, section 290.0132, subdivision 7, is amended to read:

Subd. 7. **Charitable contributions for taxpayers who do not itemize.** ~~To the extent not deducted or not deductible under section 408(d)(8)(E) of the Internal Revenue Code in determining federal taxable income by~~ For an ~~For an~~ a resident individual who does not itemize deductions for federal income tax purposes under section 290.0803 for the taxable year, an amount equal to 50 percent of the excess of charitable contributions over \$500 allowable as a deduction for the taxable year under section 170(a) of the Internal Revenue Code 290.0803, subdivision 5, is a subtraction. The subtraction under this subdivision must not include a distribution that is excluded from federal adjusted gross income and that is not deductible under section 408(d)(8)(E) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 25. Minnesota Statutes 2016, section 290.0132, subdivision 20, is amended to read:

Subd. 20. **Disallowed Personal and dependent exemption.** ~~The amount of the phaseout of personal exemptions under section 151(d) of the Internal Revenue Code is a subtraction. The amount of personal and dependent exemptions calculated under section 290.0138 is a subtraction.~~

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 26. Minnesota Statutes 2017 Supplement, section 290.0132, subdivision 21, is amended to read:

Subd. 21. **Military service pension; retirement pay.** To the extent included in federal ~~taxable adjusted gross~~ income, compensation received from a pension or other retirement pay from the federal government for service in the military, as computed under United States Code, title 10, sections 1401 to 1414, 1447 to 1455, and 12733, is a subtraction. The subtraction is limited to individuals who do not claim the credit under section 290.0677.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 27. Minnesota Statutes 2017 Supplement, section 290.0132, subdivision 26, is amended to read:

Subd. 26. **Social Security benefits.** (a) A portion of Social Security benefits is allowed as a subtraction. The subtraction equals the lesser of Social Security benefits or a maximum subtraction subject to the limits under paragraphs (b), (c), and (d).

(b) For married taxpayers filing a joint return and surviving spouses, the maximum subtraction equals ~~\$4,500~~ \$4,590. The maximum subtraction is reduced by 20 percent of provisional income over ~~\$77,000~~ \$78,530. In no case is the subtraction less than zero.

(c) For single or head-of-household taxpayers, the maximum subtraction equals ~~\$3,500~~ \$3,570. The maximum subtraction is reduced by 20 percent of provisional income over ~~\$60,200~~ \$61,400. In no case is the subtraction less than zero.

(d) For married taxpayers filing separate returns, the maximum subtraction equals ~~\$2,250~~ one-half the maximum subtraction for joint returns under paragraph (b). The maximum subtraction is reduced by 20 percent of provisional income over ~~\$38,500~~ one-half the maximum subtraction for joint returns under paragraph (b). In no case is the subtraction less than zero.

(e) For purposes of this subdivision, "provisional income" means modified adjusted gross income as defined in section 86(b)(2) of the Internal Revenue Code, plus one-half of the Social Security benefits received during the taxable year, and "Social Security benefits" has the meaning given in section 86(d)(1) of the Internal Revenue Code.

(f) The commissioner shall adjust the maximum subtraction and threshold amounts in paragraphs (b) to (d) 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)~~ of the Internal Revenue Code the word "~~2016~~" "2017" shall be substituted for the word "~~1992~~." ~~For 2018, the commissioner shall then determine the percentage change from the 12 months ending on August 31, 2016, to the 12 months ending on August 31, 2017, and in each subsequent year, from the 12 months ending on August 31, 2016, to the 12 months ending on August 31 of the year preceding the taxable year. "2016."~~ 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, including section 14.386. The maximum subtraction and threshold amounts 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, 2017.

Sec. 28. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision to read:

Subd. 27. **Moving expenses.** Expenses that qualify as a deduction under section 217(a) through (f) of the Internal Revenue Code, disregarding paragraph (k), are a subtraction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 29. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision to read:

Subd. 28. **Global intangible low-taxed income.** The taxpayer's global intangible low-taxed income included under section 951A of the Internal Revenue Code for the taxable year is a subtraction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 30. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision to read:

Subd. 29. **Deferred foreign income of nonresidents.** For a nonresident individual, the amount of deferred foreign income recognized because of section 965 of the Internal Revenue Code is a subtraction.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2016.

Sec. 31. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision to read:

Subd. 30. **Standard or itemized deduction.** The amount allowed under section 290.0803 is a subtraction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 32. Minnesota Statutes 2016, section 290.0133, subdivision 6, is amended to read:

Subd. 6. **Special deductions.** (a) The amount of any special deductions under sections 241 to 247 of the Internal Revenue Code and ~~965~~ the amount of foreign derived intangible income deducted under section 250 of the Internal Revenue Code is an addition.

(b) The addition under this subdivision is reduced by the amount of the deduction under section 245A of the Internal Revenue Code that represents amounts included in federal taxable income in a prior taxable year under section 965 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2016.

Sec. 33. Minnesota Statutes 2017 Supplement, section 290.0133, subdivision 12, is amended to read:

Subd. 12. **Section 179 expensing.** Effective for property placed in service in taxable years beginning before January 1, 2018, 80 percent of the amount by which the deduction allowed under the dollar limits of section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code, as amended through December 31, 2003, is an addition.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 34. Minnesota Statutes 2016, section 290.0134, is amended by adding a subdivision to read:

Subd. 17. **Global intangible low-taxed income.** The taxpayer's global intangible low-taxed income included under section 951A of the Internal Revenue Code for the taxable year is a subtraction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 35. Minnesota Statutes 2016, section 290.0136, is amended to read:

290.0136 CERTAIN PREFERRED STOCK LOSSES.

A taxpayer must compute net income by treating losses from the sale or transfer of certain preferred stock, which the taxpayer treated as ordinary losses pursuant to Division A, title III, section 301 of Public Law 110-343, as capital losses. The amount of net income under section 290.01, subdivision 19; taxable net income under section 290.01, subdivision 22; taxable income under section 290.01, subdivision 29; the numerator and denominator in section 290.06, subdivision 2c, paragraph (e); individual alternative minimum taxable income under section 290.091, subdivision 2; ~~corporate alternative minimum taxable income under section 290.0921, subdivision 3~~; and net operating losses under section 290.095 must be computed for each taxable year as if those losses had been treated by the taxpayer as capital losses under the Internal Revenue Code, including the limitations under section 1211 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 36. **[290.0138] PERSONAL AND DEPENDENT EXEMPTIONS.**

Subdivision 1. **Personal and dependent exemptions.** (a) A taxpayer is allowed (1) a personal exemption in the amount of \$4,150, and in the case of a married couple filing a joint return an additional personal exemption of \$4,150; plus (2) a dependent exemption of \$4,150 multiplied by the number of dependents of the taxpayer, as defined under sections 151 and 152 of the Internal Revenue Code.

(b) The personal and dependent exemptions are not allowed to an individual who is eligible to be claimed as a dependent, as defined in sections 151 or 152 of the Internal Revenue Code, by another taxpayer.

Subd. 2. **Cost-of-living adjustment.** For taxable years beginning after December 31, 2018, the commissioner shall annually adjust the amounts in subdivision 1 by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code as amended through March 31, 2018. The exemption amount as adjusted for inflation must be rounded to the nearest \$50. If the amount is not a multiple of \$50, the commissioner shall round down to the next lowest multiple of \$50. 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, 2017.

Sec. 37. Minnesota Statutes 2016, section 290.032, subdivision 2, is amended to read:

Subd. 2. **Computation.** The amount of tax imposed by subdivision 1 shall be computed in the same way as the tax imposed under section 402(d) of the Internal Revenue Code of 1986, as amended through December 31, 1995, except that the initial separate tax shall be an amount equal to five times the tax which would be imposed by section 290.06, subdivision 2c, if the recipient was an unmarried individual, and the taxable net income was an amount equal to one-fifth of the excess of

(i) the total taxable amount of the lump-sum distribution for the year, over

(ii) the minimum distribution allowance, and except that references in section 402(d) of the Internal Revenue Code of 1986, as amended through December 31, 1995, to paragraph (1)(A) thereof shall instead be references to subdivision 1, and the excess, if any, of the subtraction base amount over ~~federal~~ taxable net income for a qualified individual as provided under section 290.0802, subdivision 2.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 38. Minnesota Statutes 2016, section 290.05, subdivision 3, is amended to read:

Subd. 3. **Taxes imposed on exempt entities.** (a) An organization exempt from taxation under subdivision 2 shall, nevertheless, be subject to tax under this chapter to the extent provided in the following provisions of the Internal Revenue Code:

- (1) section 527 (dealing with political organizations);
- (2) section 528 (dealing with certain homeowners associations);
- (3) sections 511 to 515 (dealing with unrelated business income);
- (4) section 521 (dealing with farmers' cooperatives); and

(5) section 6033(e)(2) (dealing with lobbying expense); but notwithstanding this subdivision, shall be considered an organization exempt from income tax for the purposes of any law which refers to organizations exempt from income taxes.

(b) The tax shall be imposed on the taxable income of political organizations or homeowner associations or the unrelated business taxable income, as defined in section 512 of the Internal Revenue Code, of organizations defined in section 511 of the Internal Revenue Code, provided that the tax is not imposed on:

(1) advertising revenues from a newspaper published by an organization described in section 501(c)(4) of the Internal Revenue Code; or

(2) revenues from lawful gambling authorized under chapter 349 that are expended for purposes that qualify for the deduction for charitable contributions under section 170 of the Internal Revenue Code, disregarding the limitation under section 170(b)(2), but only to the extent the contributions are not deductible in computing federal taxable income.

The tax shall be at the corporate rates. The tax shall only be imposed on income and deductions assignable to this state under sections 290.17 to 290.20. To the extent deducted in computing federal taxable income, the deductions contained in section 290.21 shall not be allowed in computing Minnesota taxable net income.

(c) The tax shall be imposed on organizations subject to federal tax under section 6033(e)(2) of the Internal Revenue Code, in an amount equal to the corporate tax rate multiplied by the amount of lobbying expenses taxed under section 6033(e)(2) which are attributable to lobbying the Minnesota state government.

(d) In calculating unrelated business taxable income under section 512 of the Internal Revenue Code, the amount of any net operating loss deduction claimed under section 172 of the Internal Revenue Code is an addition. Taxpayers making an addition under this paragraph may deduct a net operating loss for the taxable year in the same manner as a corporation under section 290.095, in a form and manner prescribed by the commissioner, and may calculate the loss without the application of the limitation provided for under section 512(a)(6) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 39. Minnesota Statutes 2016, section 290.06, subdivision 1, is amended to read:

Subdivision 1. **Computation, corporations.** (a) The franchise tax imposed upon corporations shall be computed by applying to their taxable income the rate of ~~9.8~~ 9.1 percent.

(b) Notwithstanding paragraph (a), the rate for taxable years beginning after December 31, 2017, and before January 1, 2020, is 9.65 percent.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 40. Minnesota Statutes 2016, section 290.06, subdivision 2c, is amended to read:

Subd. 2c. **Schedules of rates for individuals, estates, and trusts.** (a) The income taxes imposed by this chapter upon married individuals filing joint returns and surviving spouses ~~as defined in section 2(a) of the Internal Revenue Code~~ must be computed by applying to their taxable net income the following schedule of rates:

(1) On the first ~~\$35,480~~ \$37,850, ~~5.35~~ 5.25 percent;

(2) On all over ~~\$35,480~~ \$37,850, but not over ~~\$140,960~~ \$150,380, ~~7.05~~ 6.85 percent;

(3) On all over ~~\$140,960~~ \$150,380, but not over ~~\$250,000~~ \$266,700, 7.85 percent;

(4) On all over ~~\$250,000~~ \$266,700, 9.85 percent.

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

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

(1) On the first ~~\$24,270~~ \$25,890, ~~5.35~~ 5.25 percent;

(2) On all over ~~\$24,270~~ \$25,890, but not over ~~\$79,730~~ \$85,060, ~~7.05~~ 6.85 percent;

(3) On all over ~~\$79,730~~ \$85,060, but not over ~~\$150,000~~ \$160,020, 7.85 percent;

(4) On all over ~~\$150,000~~ \$160,020, 9.85 percent.

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

(1) On the first ~~\$29,880~~ \$31,880, ~~5.35~~ 5.25 percent;

(2) On all over ~~\$29,880~~ \$31,880, but not over ~~\$120,070~~ \$128,090, ~~7.05~~ 6.85 percent;

(3) On all over ~~\$120,070~~ \$128,090, but not over ~~\$200,000~~ \$213,360, 7.85 percent;

(4) On all over ~~\$200,000~~ \$213,360, 9.85 percent.

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

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

(1) the numerator is the individual's Minnesota source federal adjusted gross income ~~as defined in section 62 of the Internal Revenue Code~~ and increased by the additions required under section 290.0131, subdivisions 2 and 6 to 10, 16, and 17, and reduced by the Minnesota assignable portion of the subtraction for United States government interest under section 290.0132, subdivision 2, and the subtractions under section 290.0132, subdivisions 9, 10, 14, 15, 17, ~~and 18, and 27 to 29~~, after applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

(2) the denominator is the individual's federal adjusted gross income ~~as defined in section 62 of the Internal Revenue Code~~, increased by the amounts specified in section 290.0131, subdivisions 2 ~~and~~ 6 to ~~44~~ 10, 16, and 17, and reduced by the amounts specified in section 290.0132, subdivisions 2, 9, 10, 14, 15, 17, ~~and 18, and 27 to 29~~.

(f) For taxable years beginning after December 31, 2017, and before January 1, 2020, a rate of 5.3 percent applies instead of the 5.25 percent rate in paragraphs (a) to (c), and a rate of 6.95 percent applies instead of the 6.85 percent rate in paragraphs (a) to (c).

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 41. Minnesota Statutes 2016, section 290.06, subdivision 2d, is amended to read:

Subd. 2d. **Inflation adjustment of brackets.** (a) For taxable years beginning after December 31, 2013, the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage determined under paragraph (b). ~~For the purpose of making the adjustment as provided in this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets as they existed for taxable years beginning after December 31, 2012, and before January 1, 2014.~~ The rate applicable to any rate bracket must not be changed. The dollar amounts setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in \$5, it must be rounded up to the nearest \$10 amount.

(b) The commissioner shall adjust the rate brackets and by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3) ~~(B)~~ the word "2012" "2017" shall be substituted for the word "1992." ~~For 2014, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2012, to the 12 months ending on August 31, 2013, and in each subsequent year, from the 12 months ending on August 31, 2012, to the 12 months ending on August 31 of the year preceding the taxable year. "2016."~~ The determination of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14.

No later than December 15 of each year, the commissioner shall announce the specific percentage that will be used to adjust the tax rate brackets.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 42. Minnesota Statutes 2017 Supplement, section 290.067, subdivision 1, is amended to read:

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

(b) If a child who has not attained the age of six years at the close of the taxable year is cared for at a licensed family day care home operated by the child's parent, the taxpayer is deemed to have paid employment-related expenses. If the child is 16 months old or younger at the close of the taxable year, the amount of expenses deemed to have been paid equals the maximum limit for one qualified individual under section 21(c) and (d) of the Internal Revenue Code. If the child is older than 16 months of age but has not attained the age of six years at the close of the taxable year, the amount of expenses deemed to have been paid equals the amount the licensee would charge for the care of a child of the same age for the same number of hours of care.

(c) If a married couple:

(1) has a child who has not attained the age of one year 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.

(d) If the taxpayer is not required and does not file a federal individual income tax return for the tax year, no credit is allowed for any amount paid to any person unless:

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

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

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

(e) 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 290.0132, subdivision 10, the credit determined under section 21 of the Internal Revenue Code must be allocated based on the ratio by which the earned income of the claimant and the claimant's spouse from Minnesota sources bears to the total earned income of the claimant and the claimant's spouse.

(f) For residents of Minnesota, the subtractions for military pay under section 290.0132, subdivisions 11 and 12, are not considered "earned income not subject to tax under this chapter."

(g) 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."

(h) For taxpayers with federal adjusted gross income in excess of ~~\$50,000~~ \$50,990, the credit is equal to the lesser of the credit otherwise calculated under this subdivision, or the amount equal to \$600 minus five percent of federal adjusted gross income in excess of ~~\$50,000~~ \$50,990 for taxpayers with one qualified individual, or \$1,200 minus five percent of federal adjusted gross income in excess of ~~\$50,000~~ \$50,990 for taxpayers with two or more qualified individuals, but in no case is the credit less than zero.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 43. Minnesota Statutes 2017 Supplement, 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 1 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 "~~2016~~" "2017" shall be substituted for the word "~~1992~~." ~~For 2018, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2016, to the 12 months ending on August 31, 2017, and in each subsequent year, from the 12 months ending on August 31, 2016, to the 12 months ending on August 31 of the year preceding the taxable year.~~ "2016." 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, 2017.

Sec. 44. Minnesota Statutes 2017 Supplement, 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 with no qualifying children who has attained the age of 21, but not attained age 65 before the close of the taxable year and is otherwise eligible for a credit under section 32 of the Internal Revenue Code may also receive a credit.

(b) For individuals with no qualifying children, the credit equals 2.10 percent of the first ~~\$6,180~~ \$6,480 of earned income. The credit is reduced by 2.01 percent of earned income or adjusted gross income, whichever is greater, in excess of ~~\$8,130~~ \$8,530, but in no case is the credit less than zero.

(c) For individuals with one qualifying child, the credit equals 9.35 percent of the first ~~\$11,120~~ \$11,670 of earned income. The credit is reduced by 6.02 percent of earned income or adjusted gross income, whichever is greater, in excess of ~~\$21,190~~ \$22,340, but in no case is the credit less than zero.

(d) For individuals with two or more qualifying children, the credit equals 11 percent of the first ~~\$18,240~~ \$19,130 of earned income. The credit is reduced by 10.82 percent of earned income or adjusted gross income, whichever is greater, in excess of ~~\$25,130~~ \$26,360, but in no case is the credit less than zero.

(e) For a 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 290.0132, subdivision 10, 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 following clauses are not considered "earned income not subject to tax under this chapter":

- (1) the subtractions for military pay under section 290.0132, subdivisions 11 and 12;
- (2) the exclusion of combat pay under section 112 of the Internal Revenue Code; and
- (3) income derived from an Indian reservation by an enrolled member of the reservation while living on the reservation.

(g) For tax years beginning after December 31, ~~2013~~ 2018, the ~~\$8,130~~ \$8,530 in paragraph (b), the ~~\$21,190~~ \$22,340 in paragraph (c), and the ~~\$25,130~~ \$26,360 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by ~~\$5,000~~ \$5,700 for married taxpayers filing joint returns. For tax years beginning after December 31, ~~2013~~ 2018, the commissioner shall annually adjust the ~~\$5,000~~ \$5,700 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~~" "2017" shall be substituted for the word "~~1992~~." ~~For 2014, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2008, to the 12 months ending on August 31, 2013, and in each subsequent year, from the 12 months ending on August 31, 2008, to the 12 months ending on August 31 of the year preceding the taxable year.~~ "2016." 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) 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, 2017.

Sec. 45. Minnesota Statutes 2016, 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~~" "2017" shall be substituted for the word "~~1992~~." ~~For 2015, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2013, to the 12 months ending on August 31, 2014, and in each subsequent year, from the 12 months ending on August 31, 2013, to the 12 months ending on August 31 of the year preceding the taxable year.~~ "2016." 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, 2017.

Sec. 46. Minnesota Statutes 2017 Supplement, section 290.0672, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

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

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

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

(3) has been offered in compliance with the inflation protection requirements of section 62S.23.

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

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 47. Minnesota Statutes 2016, section 290.0672, subdivision 2, is amended to read:

Subd. 2. **Credit.** A taxpayer is allowed a credit against the tax imposed by this chapter for long-term care insurance policy premiums paid during the tax year. The credit for each policy equals 25 percent of premiums paid to the extent not deducted in determining ~~federal~~ taxable net income. A taxpayer may claim a credit for only one policy for each qualified beneficiary. A maximum of \$100 applies to each qualified beneficiary. The maximum total credit allowed per year is \$200 for married couples filing joint returns and \$100 for all other filers. For a nonresident or part-year resident, the credit determined under this section must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 48. Minnesota Statutes 2017 Supplement, section 290.0674, subdivision 2a, is amended to read:

Subd. 2a. **Income.** (a) For purposes of this section, "income" means the sum of the following:

- (1) federal adjusted gross income as defined in section 62 of the Internal Revenue Code; and
- (2) the sum of the following amounts to the extent not included in clause (1):
 - (i) all nontaxable income;
 - (ii) the amount of a passive activity loss that is not disallowed as a result of section 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;
 - (iii) an amount equal to the total of any discharge of qualified farm indebtedness of a solvent individual excluded from gross income under section 108(g) of the Internal Revenue Code;
 - (iv) cash public assistance and relief;
 - (v) any pension or annuity (including railroad retirement benefits, all payments received under the federal Social Security Act, Supplemental Security Income, and veterans benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;
 - (vi) interest received from the federal or a state government or any instrumentality or political subdivision thereof;
 - (vii) workers' compensation;
 - (viii) nontaxable strike benefits;
 - (ix) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise;

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

(xii) nontaxable scholarship or fellowship grants;

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

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

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

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

(xvii) alimony received to the extent not included in the recipient's income.

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

(b) "Income" does not include:

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

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

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

(4) relief granted under chapter 290A;

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

(6) 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.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 49. Minnesota Statutes 2017 Supplement, section 290.0681, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Account" means the historic credit administration account in the special revenue fund.

(c) "Office" means the State Historic Preservation Office of the Department of Administration.

(d) "Project" means rehabilitation of a certified historic structure, as defined in section 47(c)(3)(A) of the Internal Revenue Code, that is located in Minnesota and is allowed a federal credit.

(e) "Federal credit" means the credit allowed under section ~~47(a)(2)~~ 47(a) of the Internal Revenue Code, except that the amount allowed is deemed to be allocated in the taxable year that the project is placed in service.

(f) "Placed in service" has the meaning used in section 47 of the Internal Revenue Code.

(g) "Qualified rehabilitation expenditures" has the meaning given in section 47 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for applications for allocation certificates submitted after December 31, 2017.

Sec. 50. Minnesota Statutes 2017 Supplement, section 290.0681, subdivision 2, is amended to read:

Subd. 2. **Credit or grant allowed; certified historic structure.** (a) A credit is allowed against the tax imposed under this chapter equal to not more than 100 percent of the credit allowed under section ~~47(a)(2)~~ 47(a) of the Internal Revenue Code for a project. The credit is payable in an amount equal to one-fifth of the total credit amount allowed in the five taxable years beginning with the year the project is placed in service. To qualify for the credit:

(1) the project must receive Part 3 certification and be placed in service during the taxable year; and

(2) the taxpayer must be allowed the federal credit and be issued a credit certificate for the taxable year as provided in subdivision 4.

(b) The commissioner of administration may pay a grant in lieu of the credit. The grant equals 90 percent of the credit that would be allowed for the project. The grant is payable in an amount equal to one-fifth of 90 percent of the credit that would be allowed for the project in the five taxable years beginning with the year the project is placed in service.

(c) In lieu of the credit under paragraph (a), an insurance company may claim a credit against the insurance premiums tax imposed under chapter 2971.

EFFECTIVE DATE. This section is effective for applications for allocation certificates submitted after December 31, 2017.

Sec. 51. Minnesota Statutes 2016, section 290.0681, subdivision 3, is amended to read:

Subd. 3. **Applications; allocations.** (a) To qualify for a credit or grant under this section, the developer of a project must apply to the office before the rehabilitation begins. The application must contain the information and be in the form prescribed by the office. The office may collect a fee for application of up to 0.5 percent of qualified rehabilitation expenditures, up to \$40,000, based on estimated qualified rehabilitation expenditures, to offset costs associated with personnel and administrative expenses related to administering the credit and preparing the economic impact report in subdivision 9. Application fees are deposited in the account. The application must indicate if the application is for a credit or a grant in lieu of the credit or a combination of the two and designate the taxpayer qualifying for the credit or the recipient of the grant.

(b) Upon approving an application for credit, the office shall issue allocation certificates that:

(1) verify eligibility for the credit or grant;

(2) state the amount of credit or grant anticipated with the project, with the credit amount equal to 100 percent and the grant amount equal to 90 percent of the federal credit anticipated in the application;

(3) state that the credit or grant allowed may increase or decrease if the federal credit the project receives at the time it is placed in service is different than the amount anticipated at the time the allocation certificate is issued; and

(4) state the fiscal year in which the credit or grant is allocated, and that the taxpayer or grant recipient is entitled to receive one-fifth of the total amount of either the credit or the grant at the time the project is placed in service, provided that date is within three calendar years following the issuance of the allocation certificate.

(c) The office, in consultation with the commissioner, shall determine if the project is eligible for a credit or a grant under this section and must notify the developer in writing of its determination. Eligibility for the credit is subject to review and audit by the commissioner.

(d) The federal credit recapture and repayment requirements under section 50 of the Internal Revenue Code do not apply to the credit allowed under this section.

(e) Any decision of the office under paragraph (c) may be challenged as a contested case under chapter 14. The contested case proceeding must be initiated within 45 days of the date of written notification by the office.

EFFECTIVE DATE. This section is effective for applications for allocation certificates submitted after December 31, 2017.

Sec. 52. Minnesota Statutes 2016, section 290.0681, subdivision 4, is amended to read:

Subd. 4. **Credit certificates; grants.** (a)(1) The developer of a project for which the office has issued an allocation certificate must notify the office when the project is placed in service. Upon verifying that the project has been placed in service, and was allowed a federal credit, the office must issue a credit certificate to the taxpayer designated in the application or must issue a grant to the recipient designated in the application. The credit certificate must state the amount of the credit.

(2) The credit amount equals the federal credit allowed for the project.

(3) The grant amount equals 90 percent of the federal credit allowed for the project.

(b) The recipient of a credit certificate may assign the certificate to another taxpayer before the first one-fifth payment is claimed, which is then allowed the credit under this section or section 297I.20, subdivision 3. An assignment is not valid unless the assignee notifies the commissioner within 30 days of the date that the assignment is made. The commissioner shall prescribe the forms necessary for notifying the commissioner of the assignment of a credit certificate and for claiming a credit by assignment.

(c) Credits passed through to partners, members, shareholders, or owners pursuant to subdivision 5 are not an assignment of a credit certificate under this subdivision.

(d) A grant agreement between the office and the recipient of a grant may allow the grant to be issued to another individual or entity.

EFFECTIVE DATE. This section is effective for applications for allocation certificates submitted after December 31, 2017.

Sec. 53. Minnesota Statutes 2017 Supplement, section 290.0684, subdivision 2, is amended to read:

Subd. 2. **Credit allowed.** (a) An individual who is a resident of Minnesota is allowed a credit against the tax imposed by this chapter. The credit is not allowed to an individual who is eligible to be claimed as a dependent, as defined in sections 151 and 152 of the Internal Revenue Code. The credit may not exceed the liability for tax under this chapter.

(b) The amount of the credit allowed equals 50 percent of contributions for the taxable year. The maximum credit is \$500, subject to the phaseout in paragraphs (c) and (d). In no case is the credit less than zero.

(c) For individual filers, the maximum credit is reduced by two percent of adjusted gross income in excess of ~~\$75,000~~ \$76,490.

(d) For married couples filing a joint return, the maximum credit is phased out as follows:

(1) for married couples with adjusted gross income in excess of ~~\$75,000~~ \$76,490, but not more than ~~\$100,000~~ \$101,990, the maximum credit is reduced by one percent of adjusted gross income in excess of ~~\$75,000~~ \$76,490;

(2) for married couples with adjusted gross income in excess of ~~\$100,000~~ \$101,990, but not more than ~~\$135,000~~ \$137,680, the maximum credit is \$250; and

(3) for married couples with adjusted gross income in excess of ~~\$135,000~~ \$137,680, the maximum credit is \$250, reduced by one percent of adjusted gross income in excess of ~~\$135,000~~ \$137,680.

(e) The income thresholds in paragraphs (c) and (d) used to calculate the maximum credit must be adjusted for inflation. The commissioner shall adjust the income thresholds by the percentage determined under the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3) ~~(B)~~ the word "~~2016~~" "2017" is substituted for the word "~~1992~~." ~~For 2018, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2016, to the 12 months ending on August 31, 2017, and in each subsequent year, from the 12 months ending on August 31, 2016, to the 12 months ending on August 31 of the year preceding the taxable year.~~ "2016." The 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 subject to chapter 14, including section 14.386.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 54. Minnesota Statutes 2016, section 290.0802, subdivision 2, is amended to read:

Subd. 2. **Subtraction.** (a) A qualified individual is allowed a subtraction from federal ~~taxable~~ adjusted gross 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 290.0132, subdivision 5, 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 for a married taxpayer filing a joint return if a spouse is a qualified individual,

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

(iii) \$6,000 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 for a married taxpayer filing a joint return if both spouses are qualified individuals,
- (ii) \$14,500 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 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, 2017.

Sec. 55. **[290.0803] STANDARD OR ITEMIZED DEDUCTION.**

Subdivision 1. **Election.** An individual may elect to claim a state standard deduction in lieu of state itemized deductions. In the case of a married individual filing a separate return, if one spouse elects to claim state itemized deductions, the other spouse is not allowed a state standard deduction.

Subd. 2. **Subtraction.** Based on the election under subdivision 1, individuals are allowed to subtract from federal adjusted gross income the state standard deduction or the state itemized deduction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 56. Minnesota Statutes 2017 Supplement, section 290.091, subdivision 2, is amended to read:

Subd. 2. **Definitions.** For purposes of the tax imposed by this section, the following terms have the meanings given.

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

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

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

- (i) the charitable contribution deduction under section 170 of the Internal Revenue Code; and
- (ii) the medical expense deduction;
- (iii) the casualty, theft, and disaster loss deduction; and
- (iv) the impairment-related work expenses of a disabled person;

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

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

(5) to the extent not included in federal alternative minimum taxable income, the amount of interest income as provided by section 290.0131, subdivision 2; and

(6) the amount of addition required by section 290.0131, subdivisions 9 ~~to 11~~, 10, 16, and 17;

(7) the deduction allowed under section 199A of the Internal Revenue Code;

less the sum of the amounts determined under the following:

(i) interest income as defined in section 290.0132, subdivision 2;

(ii) an overpayment of state income tax as provided by section 290.0132, subdivision 3, to the extent included in federal alternative minimum taxable income;

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

(iv) amounts subtracted from federal ~~taxable~~ adjusted gross income as provided by section 290.0132, subdivisions 7, 9 to 15, 17, 21, 24, ~~and 26 to 29, and 31; and~~

(v) the amount of the net operating loss allowed under section 290.095, subdivision 11, paragraph (c); and

(vi) the amount which would have been an allowable deduction under section 165(h) of the Internal Revenue Code, as amended through December 16, 2016, and which was taken as a Minnesota itemized deduction under section 290.01, subdivision 29.

In the case of an estate or trust, alternative minimum taxable income must be computed as provided in section 59(c) of the Internal Revenue Code, except that alternative minimum taxable income must be increased by the amount of the addition under section 290.0131, subdivision 15.

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

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

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

(e) "Tentative minimum tax" equals 6.75 percent of alternative minimum taxable income after subtracting the exemption amount determined under subdivision 3.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 57. Minnesota Statutes 2016, section 290.091, subdivision 3, is amended to read:

Subd. 3. **Exemption amount.** (a) For purposes of computing the alternative minimum tax, the exemption amount is, ~~for taxable years beginning after December 31, 2005, \$60,000~~ \$75,760 for married couples filing joint returns, ~~\$30,000~~ \$37,880 for married individuals filing separate returns, estates, and trusts, and ~~\$45,000~~ \$56,820 for unmarried individuals.

(b) The exemption amount determined under this subdivision is subject to the phase out under section ~~55(d)(3)~~ 55(d)(2) of the Internal Revenue Code, except that alternative minimum taxable income as determined under this section must be substituted in the computation of the phase out.

(c) For taxable years beginning after December 31, ~~2006~~ 2018, the exemption amount under paragraph (a) must be adjusted for inflation. The commissioner shall adjust the exemption amount 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 "2005" "2017" shall be substituted for the word "1992." ~~For 2007, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2005, to the 12 months ending on August 31, 2006, and in each subsequent year, from the 12 months ending on August 31, 2005, to the 12 months ending on August 31 of the year preceding the taxable year. "2016."~~ The exemption amount as adjusted must be rounded to the nearest \$10. If the amount ends in \$5, it must be 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, 2017.

Sec. 58. Minnesota Statutes 2016, section 290.0921, subdivision 8, is amended to read:

Subd. 8. **Carryover credit.** (a) A corporation is allowed a credit against qualified regular tax for qualified alternative minimum tax previously paid. The credit is allowable only ~~if the corporation has no tax liability under this section for the taxable year and~~ if the corporation has an alternative minimum tax credit carryover from a previous year. The credit allowable in a taxable year equals the lesser of

(1) ~~the excess of the qualified regular tax for the taxable year over the amount computed under subdivision 1, clause (1), for the taxable year;~~ or

(2) the carryover credit to the taxable year.

(b) For purposes of this subdivision, the following terms have the meanings given.

(1) "Qualified alternative minimum tax" equals the amount determined under subdivision 1 for ~~the a~~ a taxable year beginning before December 31, 2017.

(2) "Qualified regular tax" means the tax imposed under section 290.06, subdivision 1.

(c) The qualified alternative minimum tax for a taxable year is an alternative minimum tax credit carryover to each of the taxable years succeeding the taxable year. The entire amount of the credit must be carried to the earliest taxable year to which the amount may be carried. Any unused portion of the credit must be carried to the following taxable year. No credit may be carried to a taxable year in which alternative minimum tax was paid.

(d) An acquiring corporation may carry over this credit from a transferor or distributor corporation in a corporate acquisition. The provisions of section 381 of the Internal Revenue Code apply in determining the amount of the carryover, if any.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 59. Minnesota Statutes 2016, section 290.0922, subdivision 1, is amended to read:

Subdivision 1. **Imposition.** (a) In addition to the tax imposed by this chapter without regard to this section, the franchise tax imposed on a corporation required to file under section 289A.08, subdivision 3, other than a corporation treated as an "S" corporation under section 290.9725 for the taxable year includes a tax equal to the following amounts:

If the sum of the corporation's Minnesota property, payrolls, and sales or receipts is:		the tax equals:
less than	\$ 930,000 <u>990,000</u>	\$0
\$ 930,000 <u>990,000</u>	to \$ 1,869,999 <u>1,989,999</u>	\$ 190 <u>200</u>
\$ 1,870,000 <u>1,990,000</u>	to \$ 9,339,999 <u>9,959,999</u>	\$ 560 <u>600</u>
\$ 9,340,000 <u>9,960,000</u>	to \$ 18,679,999 <u>19,929,999</u>	\$ 1,870 <u>1,990</u>
\$ 18,680,000 <u>19,930,000</u>	to \$ 37,359,999 <u>39,859,999</u>	\$ 3,740 <u>3,990</u>
\$ 37,360,000 <u>39,860,000</u>	or more	\$ 9,340 <u>9,960</u>

(b) A tax is imposed for each taxable year on a corporation required to file a return under section 289A.12, subdivision 3, that is treated as an "S" corporation under section 290.9725 and on a partnership required to file a return under section 289A.12, subdivision 3, other than a partnership that derives over 80 percent of its income from farming. The tax imposed under this paragraph is due on or before the due date of the return for the taxpayer due under section 289A.18, subdivision 1. The commissioner shall prescribe the return to be used for payment of this tax. The tax under this paragraph is equal to the following amounts:

If the sum of the S corporation's or partnership's Minnesota property, payrolls, and sales or receipts is:		the tax equals:
less than	\$ 930,000 <u>990,000</u>	\$0
\$ 930,000 <u>990,000</u>	to \$ 1,869,999 <u>1,989,999</u>	\$ 190 <u>200</u>
\$ 1,870,000 <u>1,990,000</u>	to \$ 9,339,999 <u>9,959,999</u>	\$ 560 <u>600</u>
\$ 9,340,000 <u>9,960,000</u>	to \$ 18,679,999 <u>19,929,999</u>	\$ 1,870 <u>1,990</u>
\$ 18,680,000 <u>19,930,000</u>	to \$ 37,359,999 <u>39,859,999</u>	\$ 3,740 <u>3,990</u>
\$ 37,360,000 <u>39,860,000</u>	or more	\$ 9,340 <u>9,960</u>

(c) The commissioner shall adjust the dollar amounts of both the tax and the property, payrolls, and sales or receipts thresholds in paragraphs (a) and (b) 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 "2012" "2017" must be substituted for the word "1992." ~~For 2014, the commissioner shall determine the percentage change from the 12 months ending on August 31, 2012, to the 12 months ending on August 31, 2013, and in each subsequent year, from the 12 months ending on August 31, 2012, to the 12 months ending on August 31 of the year preceding the taxable year. "2016."~~ The determination of the commissioner pursuant to this subdivision is not a "rule" subject to the Administrative Procedure Act contained in chapter 14. The tax amounts as adjusted must be rounded to the nearest \$10 amount and the threshold amounts must be adjusted to the nearest \$10,000 amount. For tax amounts that end in \$5, the amount is rounded up to the nearest \$10 amount and for the threshold amounts that end in \$5,000, the amount is rounded up to the nearest \$10,000.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 60. Minnesota Statutes 2016, section 290.095, subdivision 4, is amended to read:

Subd. 4. **Computation and modifications.** The following modifications shall be made in computing a net operating loss in any taxable year and also in computing the taxable net income for any taxable year before a net operating loss deduction shall be allowed:

(a) No deduction shall be allowed for or with respect to losses connected with income producing activities if the income therefrom would not be required to be either assignable to this state or included in computing the taxpayer's taxable net income.

(b) A net operating loss deduction shall not be allowed.

(c) The amount deductible on account of losses from sales or exchanges of capital assets shall not exceed the amount includable on account of gains from sales or exchanges of capital assets.

(d) Renegotiation of profits for a prior taxable year under the renegotiation laws of the United States of America, including renegotiation of the profits with a subcontractor, shall not enter into the computation.

(e) Federal income and excess profits taxes shall not be allowed as a deduction.

(f) The 80-percent limitation under section 172(a)(2) of the Internal Revenue Code does not apply to the computations for corporate taxpayers under this section.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 61. Minnesota Statutes 2017 Supplement, section 290.17, subdivision 2, is amended to read:

Subd. 2. **Income not derived from conduct of a trade or business.** The income of a taxpayer subject to the allocation rules that is not derived from the conduct of a trade or business must be assigned in accordance with paragraphs (a) to (f):

(a)(1) Subject to paragraphs (a)(2) and (a)(3), income from wages as defined in section 3401(a) ~~and~~ (f), and (i) of the Internal Revenue Code is assigned to this state if, and to the extent that, the work of the employee is performed within it; all other income from such sources is treated as income from sources without this state.

Severance pay shall be considered income from labor or personal or professional services.

(2) In the case of an individual who is a nonresident of Minnesota and who is an athlete or entertainer, income from compensation for labor or personal services performed within this state shall be determined in the following manner:

(i) the amount of income to be assigned to Minnesota for an individual who is a nonresident salaried athletic team employee shall be determined by using a fraction in which the denominator contains the total number of days in which the individual is under a duty to perform for the employer, and the numerator is the total number of those days spent in Minnesota. For purposes of this paragraph, off-season training activities, unless conducted at the team's facilities as part of a team imposed program, are not included in the total number of duty days. Bonuses earned as a result of play during the regular season or for participation in championship, play-off, or all-star games must be allocated under the formula. Signing bonuses are not subject to allocation under the formula if they are not conditional on playing any games for the team, are payable separately from any other compensation, and are nonrefundable; and

(ii) the amount of income to be assigned to Minnesota for an individual who is a nonresident, and who is an athlete or entertainer not listed in item (i), for that person's athletic or entertainment performance in Minnesota shall be determined by assigning to this state all income from performances or athletic contests in this state.

(3) For purposes of this section, amounts received by a nonresident as "retirement income" as defined in section (b)(1) of the State Income Taxation of Pension Income Act, Public Law 104-95, are not considered income derived from carrying on a trade or business or from wages or other compensation for work an employee performed in Minnesota, and are not taxable under this chapter.

(b) Income or gains from tangible property located in this state that is not employed in the business of the recipient of the income or gains must be assigned to this state.

(c) Income or gains from intangible personal property not employed in the business of the recipient of the income or gains must be assigned to this state if the recipient of the income or gains is a resident of this state or is a resident trust or estate.

Gain on the sale of a partnership interest is allocable to this state in the ratio of the original cost of partnership tangible property in this state to the original cost of partnership tangible property everywhere, determined at the time of the sale. If more than 50 percent of the value of the partnership's assets consists of intangibles, gain or loss from the sale of the partnership interest is allocated to this state in accordance with the sales factor of the partnership for its first full tax period immediately preceding the tax period of the partnership during which the partnership interest was sold.

Gain on the sale of an interest in a single member limited liability company that is disregarded for federal income tax purposes is allocable to this state as if the single member limited liability company did not exist and the assets of the limited liability company are personally owned by the sole member.

Gain on the sale of goodwill or income from a covenant not to compete that is connected with a business operating all or partially in Minnesota is allocated to this state to the extent that the income from the business in the year preceding the year of sale was allocable to Minnesota under subdivision 3.

When an employer pays an employee for a covenant not to compete, the income allocated to this state is in the ratio of the employee's service in Minnesota in the calendar year preceding leaving the employment of the employer over the total services performed by the employee for the employer in that year.

(d) Income from winnings on a bet made by an individual while in Minnesota is assigned to this state. In this paragraph, "bet" has the meaning given in section 609.75, subdivision 2, as limited by section 609.75, subdivision 3, clauses (1), (2), and (3).

(e) All items of gross income not covered in paragraphs (a) to (d) and not part of the taxpayer's income from a trade or business shall be assigned to the taxpayer's domicile.

(f) For the purposes of this section, working as an employee shall not be considered to be conducting a trade or business.

EFFECTIVE DATE. This section is effective for wages paid after December 31, 2017.

Sec. 62. Minnesota Statutes 2016, section 290.21, subdivision 4, is amended to read:

Subd. 4. **Dividends received from another corporation.** (a)(1) Eighty percent of dividends received by a corporation during the taxable year from another corporation, in which the recipient owns 20 percent or more of the stock, by vote and value, not including stock described in section 1504(a)(4) of the Internal Revenue Code when the

corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer or would not be included in the inventory of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of the income and gains therefrom; and

(2)(i) the remaining 20 percent of dividends if the dividends received are the stock in an affiliated company transferred in an overall plan of reorganization and the dividend is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended through December 31, 1989;

(ii) the remaining 20 percent of dividends if the dividends are received from a corporation which is subject to tax under section 290.36 and which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and the dividend is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended through December 31, 1989, or is deducted under an election under section 243(b) of the Internal Revenue Code; or

(iii) the remaining 20 percent of the dividends if the dividends are received from a property and casualty insurer as defined under section 60A.60, subdivision 8, which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and either: (A) the dividend is eliminated in consolidation under Treasury Regulation 1.1502-14(a), as amended through December 31, 1989; or (B) the dividend is deducted under an election under section 243(b) of the Internal Revenue Code.

(b) Seventy percent of dividends received by a corporation during the taxable year from another corporation in which the recipient owns less than 20 percent of the stock, by vote or value, not including stock described in section 1504(a)(4) of the Internal Revenue Code when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of income and gain therefrom.

(c) The dividend deduction provided in this subdivision shall be allowed only with respect to dividends that are included in a corporation's Minnesota taxable net income for the taxable year.

The dividend deduction provided in this subdivision does not apply to a dividend from a corporation which, for the taxable year of the corporation in which the distribution is made or for the next preceding taxable year of the corporation, is a corporation exempt from tax under section 501 of the Internal Revenue Code.

The dividend deduction provided in this subdivision does not apply to a dividend received from a real estate investment trust as defined in section 856 of the Internal Revenue Code.

The dividend deduction provided in this subdivision applies to the amount of regulated investment company dividends only to the extent determined under section 854(b) of the Internal Revenue Code.

The dividend deduction provided in this subdivision shall not be allowed with respect to any dividend for which a deduction is not allowed under the provisions of section 246(c) or 246A of the Internal Revenue Code.

(d) If dividends received by a corporation that does not have nexus with Minnesota under the provisions of Public Law 86-272 are included as income on the return of an affiliated corporation permitted or required to file a combined report under section 290.17, subdivision 4, or 290.34, subdivision 2, then for purposes of this subdivision the determination as to whether the trade or business of the corporation consists principally of the holding of stocks and the collection of income and gains therefrom shall be made with reference to the trade or business of the affiliated corporation having a nexus with Minnesota.

(e) The deduction provided by this subdivision does not apply if the dividends are paid by a FSC as defined in section 922 of the Internal Revenue Code.

(f) If one or more of the members of the unitary group whose income is included on the combined report received a dividend, the deduction under this subdivision for each member of the unitary business required to file a return under this chapter is the product of: (1) 100 percent of the dividends received by members of the group; (2) the percentage allowed pursuant to paragraph (a) or (b); and (3) the percentage of the taxpayer's business income apportionable to this state for the taxable year under section 290.191 or 290.20.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 63. Minnesota Statutes 2016, section 290.21, is amended by adding a subdivision to read:

Subd. 9. **Controlled foreign corporations.** The income of a domestic corporation that is included in net income under section 965 or other provisions of subchapter N, part III, subpart F, of the Internal Revenue Code is dividend income.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2016, with regard to income section 965 of the Internal Revenue Code and confirms the treatment of income under subpart F of the Internal Revenue Code as dividend income for any open taxable year.

Sec. 64. Minnesota Statutes 2016, section 290.34, is amended by adding a subdivision to read:

Subd. 5. **Insurance companies; interest expense limitation.** To be consistent with the federal treatment of the interest expense limitation under section 163(j) of the Internal Revenue Code for an affiliated group that includes an insurance company taxable under chapter 297I and exempt from taxation under section 290.05, subdivision 1, clause (c), the rules under this subdivision apply. In that case, the interest expense limitation under section 163(j) must be computed for the corporation subject to tax under this chapter using the adjusted taxable income of the insurance companies that are part of the affiliated group and taxed under chapter 297I. For purposes of this subdivision, "affiliated group" means the corporations included in the federal consolidated return for the taxable year.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 65. Minnesota Statutes 2016, section 290.34, is amended by adding a subdivision to read:

Subd. 6. **Affiliated corporations filing a combined report; interest expense limitation.** Section 163(j) of the Internal Revenue Code shall be applied to affiliated corporations permitted or required to file a combined report under section 290.17, subdivision 4, consistent with its application to a consolidated group of corporations for federal income tax purposes.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 66. Minnesota Statutes 2016, section 290.92, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (1) **Wages.** For purposes of this section, the term "wages" means the same as that term is defined in section 3401(a) ~~and~~, (f), and (i) of the Internal Revenue Code.

(2) **Payroll period.** For purposes of this section the term "payroll period" means a period for which a payment of wages is ordinarily made to the employee by the employee's employer, and the term "miscellaneous payroll period" means a payroll period other than a daily, weekly, biweekly, semimonthly, monthly, quarterly, semiannual, or annual payroll period.

(3) **Employee.** For purposes of this section the term "employee" means any resident individual performing services for an employer, either within or without, or both within and without the state of Minnesota, and every nonresident individual performing services within the state of Minnesota, the performance of which services constitute, establish, and determine the relationship between the parties as that of employer and employee. As used in the preceding sentence, the term "employee" includes an officer of a corporation, and an officer, employee, or elected official of the United States, a state, or any political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing.

(4) **Employer.** For purposes of this section the term "employer" means any person, including individuals, fiduciaries, estates, trusts, partnerships, limited liability companies, and corporations transacting business in or deriving any income from sources within the state of Minnesota for whom an individual performs or performed any service, of whatever nature, as the employee of such person, except that if the person for whom the individual performs or performed the services does not have control of the payment of the wages for such services, the term "employer," except for purposes of paragraph (1), means the person having control of the payment of such wages. As used in the preceding sentence, the term "employer" includes any corporation, individual, estate, trust, or organization which is exempt from taxation under section 290.05 and further includes, but is not limited to, officers of corporations who have control, either individually or jointly with another or others, of the payment of the wages.

(5) **Number of withholding exemptions claimed.** For purposes of this section, the term "number of withholding exemptions claimed" means the number of withholding exemptions claimed in a withholding exemption certificate in effect under subdivision 5, except that if no such certificate is in effect, the number of withholding exemptions claimed shall be considered to be zero.

EFFECTIVE DATE. This section is effective for wages paid after July 1, 2018.

Sec. 67. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 3, is amended to read:

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

- (1) federal adjusted gross income as defined in the Internal Revenue Code; and
- (2) the sum of the following amounts to the extent not included in clause (1):
 - (i) all nontaxable income;
 - (ii) the amount of a passive activity loss that is not disallowed as a result of section 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;
 - (iii) an amount equal to the total of any discharge of qualified farm indebtedness of a solvent individual excluded from gross income under section 108(g) of the Internal Revenue Code;
 - (iv) cash public assistance and relief;
 - (v) any pension or annuity (including railroad retirement benefits, all payments received under the federal Social Security Act, Supplemental Security Income, and veterans benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;
 - (vi) interest received from the federal or a state government or any instrumentality or political subdivision thereof;

- (vii) workers' compensation;
- (viii) nontaxable strike benefits;
- (ix) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise;
- (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code 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~~ alimony received to the extent not included in the recipient's income;
- (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;
- (xviii) the amount excluded from federal adjusted gross income for qualified moving expense reimbursements under section 132(a)(6) of the Internal Revenue Code, as amended through December 16, 2016; and
- (xix) the amount deducted from federal adjusted gross income for moving expenses under section 217 of the Internal Revenue Code, as amended through December 16, 2016.

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.

- (b) "Income" does not include:
 - (1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;
 - (2) 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;

(3) 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;

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

(5) relief granted under this chapter;

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

(7) 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.

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

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

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

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

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

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

(6) 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.

(d) For purposes of this subdivision, ~~the~~;

(1) "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)(C) 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. \$4,150. For refunds payable after December 31, 2018, the commissioner shall annually adjust the \$4,150 by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, as amended through March 31, 2018. The exemption amount as adjusted for inflation must be rounded to the nearest \$50. If the amount is not a multiple of \$50, the commissioner shall round down to the next lowest multiple of \$50. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act, including section 14.386; and

(2) "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)(C) 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 for refunds based on property taxes payable after December 31, 2018, and rent paid after December 31, 2017.

Sec. 68. Minnesota Statutes 2016, section 290A.03, subdivision 12, is amended to read:

Subd. 12. **Gross rent.** (a) "Gross rent" means rental paid for the right of occupancy, at arm's length, of a homestead, exclusive of charges for any medical services furnished by the landlord as a part of the rental agreement, whether expressly set out in the rental agreement or not.

(b) The gross rent of a resident of a nursing home or intermediate care facility is ~~\$350~~ \$490 per month. The gross rent of a resident of an adult foster care home is ~~\$550~~ \$760 per month. Beginning for rent paid in ~~2002~~ 2019, the commissioner shall annually adjust for inflation the gross rent amounts stated in this paragraph. The adjustment must be made in accordance with section 1(f) of the Internal Revenue Code, except that for purposes of this paragraph the percentage increase shall be determined from the year ending on June 30, ~~2004~~ 2017, to the year ending on June 30 of the year in which the rent is paid. The commissioner shall round the gross rents to the nearest \$10 amount. If the amount ends in \$5, the commissioner shall round it up to the next \$10 amount. The determination of the commissioner under this paragraph is not a rule under the Administrative Procedure Act.

(c) If the landlord and tenant have not dealt with each other at arm's length and the commissioner determines that the gross rent charged was excessive, the commissioner may adjust the gross rent to a reasonable amount for purposes of this chapter.

(d) Any amount paid by a claimant residing in property assessed pursuant to section 273.124, subdivision 3, 4, 5, or 6 for occupancy in that property shall be excluded from gross rent for purposes of this chapter. However, property taxes imputed to the homestead of the claimant or the dwelling unit occupied by the claimant that qualifies for homestead treatment pursuant to section 273.124, subdivision 3, 4, 5, or 6 shall be included within the term "property taxes payable" as defined in subdivision 13, notwithstanding the fact that ownership is not in the name of the claimant.

EFFECTIVE DATE. This section is effective for refunds based on rent paid after December 31, 2017, and property taxes payable after December 31, 2018.

Sec. 69. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 15, is amended to read:

Subd. 15. **Internal Revenue Code.** "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December 16, 2016~~ March 31, 2018.

EFFECTIVE DATE. This section is effective for refunds based on property taxes payable after December 31, 2018, and rent paid after December 31, 2017.

Sec. 70. Minnesota Statutes 2016, 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 <u>1,729</u>	1.0 percent	15 percent	\$ 2,580 <u>2,760</u>
1,620 <u>1,730</u> to 3,229 <u>3,449</u>	1.1 percent	15 percent	\$ 2,580 <u>2,760</u>
3,230 <u>3,450</u> to 4,889 <u>5,229</u>	1.2 percent	15 percent	\$ 2,580 <u>2,760</u>

4,890 <u>5,230</u> to <u>6,519</u> <u>6,969</u>	1.3 percent	20 percent	\$ <u>2,580</u> <u>2,760</u>
6,520 <u>6,970</u> to <u>8,129</u> <u>8,689</u>	1.4 percent	20 percent	\$ <u>2,580</u> <u>2,760</u>
8,130 <u>8,690</u> to <u>11,389</u> <u>12,169</u>	1.5 percent	20 percent	\$ <u>2,580</u> <u>2,760</u>
11,390 <u>12,170</u> to <u>13,009</u> <u>13,899</u>	1.6 percent	20 percent	\$ <u>2,580</u> <u>2,760</u>
13,010 <u>13,900</u> to <u>14,649</u> <u>15,659</u>	1.7 percent	20 percent	\$ <u>2,580</u> <u>2,760</u>
14,650 <u>15,660</u> to <u>16,269</u> <u>17,389</u>	1.8 percent	20 percent	\$ <u>2,580</u> <u>2,760</u>
16,270 <u>17,390</u> to <u>17,879</u> <u>19,109</u>	1.9 percent	25 percent	\$ <u>2,580</u> <u>2,760</u>
17,880 <u>19,110</u> to <u>22,779</u> <u>24,349</u>	2.0 percent	25 percent	\$ <u>2,580</u> <u>2,760</u>
22,780 <u>24,350</u> to <u>24,399</u> <u>26,079</u>	2.0 percent	30 percent	\$ <u>2,580</u> <u>2,760</u>
24,400 <u>26,080</u> to <u>27,659</u> <u>29,559</u>	2.0 percent	30 percent	\$ <u>2,580</u> <u>2,760</u>
27,660 <u>29,560</u> to <u>39,029</u> <u>41,709</u>	2.0 percent	35 percent	\$ <u>2,580</u> <u>2,760</u>
39,030 <u>41,710</u> to <u>56,919</u> <u>60,829</u>	2.0 percent	35 percent	\$ <u>2,000</u> <u>2,230</u>
56,920 <u>60,830</u> to <u>65,049</u> <u>69,519</u>	2.0 percent	40 percent	\$ <u>1,830</u> <u>1,960</u>
65,050 <u>69,520</u> to <u>73,189</u> <u>78,219</u>	2.1 percent	40 percent	\$ <u>1,510</u> <u>1,610</u>
73,190 <u>78,220</u> to <u>81,319</u> <u>86,909</u>	2.2 percent	40 percent	\$ <u>1,350</u> <u>1,440</u>
81,320 <u>86,910</u> to <u>89,449</u> <u>95,599</u>	2.3 percent	40 percent	\$ <u>1,180</u> <u>1,260</u>
89,450 <u>95,600</u> to <u>94,339</u> <u>100,819</u>	2.4 percent	45 percent	\$ <u>1,000</u> <u>1,070</u>
94,340 <u>100,820</u> to <u>97,609</u> <u>104,319</u>	2.5 percent	45 percent	\$ <u>830</u> <u>890</u>
97,610 <u>104,320</u> to <u>101,559</u> <u>108,539</u>	2.5 percent	50 percent	\$ <u>680</u> <u>730</u>
101,560 <u>108,540</u> to <u>105,499</u> <u>112,749</u>	2.5 percent	50 percent	\$ <u>500</u> <u>530</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~~ \$112,750 or more.

EFFECTIVE DATE. This section is effective for refunds based on property taxes payable after December 31, 2017.

Sec. 71. Minnesota Statutes 2016, 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.

Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
\$0 to 4,909 <u>5,249</u>	1.0 percent	5 percent	\$ <u>2,000</u> <u>2,140</u>
4,910 <u>5,250</u> to 6,529 <u>6,979</u>	1.0 percent	10 percent	\$ <u>2,000</u> <u>2,140</u>
6,530 <u>6,980</u> to 8,159 <u>8,719</u>	1.1 percent	10 percent	\$ <u>1,950</u> <u>2,080</u>
8,160 <u>8,720</u> to 11,439 <u>12,229</u>	1.2 percent	10 percent	\$ <u>1,900</u> <u>2,030</u>
11,440 <u>12,230</u> to 14,709 <u>15,719</u>	1.3 percent	15 percent	\$ <u>1,850</u> <u>1,980</u>
14,710 <u>15,720</u> to 16,339 <u>17,459</u>	1.4 percent	15 percent	\$ <u>1,800</u> <u>1,920</u>
16,340 <u>17,460</u> to 17,959 <u>19,189</u>	1.4 percent	20 percent	\$ <u>1,750</u> <u>1,870</u>
17,960 <u>19,190</u> to 21,239 <u>22,699</u>	1.5 percent	20 percent	\$ <u>1,700</u> <u>1,820</u>
21,240 <u>22,700</u> to 22,869 <u>24,439</u>	1.6 percent	20 percent	\$ <u>1,650</u> <u>1,760</u>
22,870 <u>24,440</u> to 24,499 <u>26,179</u>	1.7 percent	25 percent	\$ <u>1,650</u> <u>1,760</u>
24,500 <u>26,180</u> to 27,779 <u>29,689</u>	1.8 percent	25 percent	\$ <u>1,650</u> <u>1,760</u>
27,780 <u>29,690</u> to 29,399 <u>31,419</u>	1.9 percent	30 percent	\$ <u>1,650</u> <u>1,760</u>
29,400 <u>31,420</u> to 34,299 <u>36,659</u>	2.0 percent	30 percent	\$ <u>1,650</u> <u>1,760</u>
34,300 <u>36,660</u> to 39,199 <u>41,889</u>	2.0 percent	35 percent	\$ <u>1,650</u> <u>1,760</u>

39,200 <u>41,890</u> to 45,739 <u>48,879</u>	2.0 percent	40 percent	\$ 1,650 <u>1,760</u>
45,740 <u>48,880</u> to 47,369 <u>50,629</u>	2.0 percent	45 percent	\$ 1,500 <u>1,600</u>
47,370 <u>50,630</u> to 49,009 <u>52,379</u>	2.0 percent	45 percent	\$ 1,350 <u>1,440</u>
49,010 <u>52,380</u> to 50,649 <u>54,129</u>	2.0 percent	45 percent	\$ 1,150 <u>1,230</u>
50,650 <u>54,130</u> to 52,269 <u>55,859</u>	2.0 percent	50 percent	\$ 1,000 <u>1,070</u>
52,270 <u>55,860</u> to 53,909 <u>57,619</u>	2.0 percent	50 percent	\$ 900 <u>960</u>
53,910 <u>57,620</u> to 55,539 <u>59,359</u>	2.0 percent	50 percent	\$ 500 <u>530</u>
55,540 <u>59,360</u> to 57,169 <u>61,099</u>	2.0 percent	50 percent	\$ 200 <u>210</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~~ \$61,100 or more.

EFFECTIVE DATE. This section is effective for refunds based on rent paid after December 31, 2016.

Sec. 72. Minnesota Statutes 2016, 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~~ 2018, 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~~ 2018, 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 for refunds based on property taxes paid after December 31, 2018, and rent paid after December 31, 2017.

Sec. 73. Minnesota Statutes 2017 Supplement, section 291.005, subdivision 1, is amended to read:

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

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

(2) "Federal gross estate" means the gross estate of a decedent as required to be valued and otherwise determined for federal estate tax purposes under the Internal Revenue Code, increased by the value of any property in which the decedent had a qualifying income interest for life and for which an election was made under section 291.03, subdivision 1d, for Minnesota estate tax purposes, but was not made for federal estate tax purposes.

(3) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through ~~December 16, 2016~~ March 31, 2018.

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

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

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

(7) "Resident decedent" means an individual whose domicile at the time of death was in Minnesota. The provisions of section 290.01, subdivision 7, paragraphs (c) and (d), apply to determinations of domicile under this chapter.

(8) "Situs of property" means, with respect to:

(i) real property, the state or country in which it is located;

(ii) tangible personal property, the state or country in which it was normally kept or located at the time of the decedent's death or for a gift of tangible personal property within three years of death, the state or country in which it was normally kept or located when the gift was executed;

(iii) a qualified work of art, as defined in section 2503(g)(2) of the Internal Revenue Code, owned by a nonresident decedent and that is normally kept or located in this state because it is on loan to an organization, qualifying as exempt from taxation under section 501(c)(3) of the Internal Revenue Code, that is located in Minnesota, the situs of the art is deemed to be outside of Minnesota, notwithstanding the provisions of item (ii); and

(iv) intangible personal property, the state or country in which the decedent was domiciled at death or for a gift of intangible personal property within three years of death, the state or country in which the decedent was domiciled when the gift was executed.

For a nonresident decedent with an ownership interest in a pass-through entity with assets that include real or tangible personal property, situs of the real or tangible personal property, including qualified works of art, is determined as if the pass-through entity does not exist and the real or tangible personal property is personally owned by the decedent. If the pass-through entity is owned by a person or persons in addition to the decedent, ownership of the property is attributed to the decedent in proportion to the decedent's capital ownership share of the pass-through entity.

(9) "Pass-through entity" includes the following:

(i) an entity electing S corporation status under section 1362 of the Internal Revenue Code;

(ii) an entity taxed as a partnership under subchapter K of the Internal Revenue Code;

(iii) a single-member limited liability company or similar entity, regardless of whether it is taxed as an association or is disregarded for federal income tax purposes under Code of Federal Regulations, title 26, section 301.7701-3; or

(iv) a trust to the extent the property is includible in the decedent's federal gross estate; but excludes

(v) an entity whose ownership interest securities are traded on an exchange regulated by the Securities and Exchange Commission as a national securities exchange under section 6 of the Securities Exchange Act, United States Code, title 15, section 78f.

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after December 31, 2017.

Sec. 74. Minnesota Statutes 2016, section 297A.68, subdivision 25, is amended to read:

Subd. 25. Sale of property used in a trade or business. (a) The sale of tangible personal property primarily used in a trade or business is exempt if the sale is not made in the normal course of business of selling that kind of property and if one of the following conditions is satisfied:

(1) the sale occurs in a transaction subject to or described in section 118, 331, 332, 336, 337, 338, 351, 355, 368, 721, 731, 1031, or 1033 of the Internal Revenue Code, as amended through December 16, 2016;

(2) the sale is between members of a controlled group as defined in section 1563(a) of the Internal Revenue Code;

(3) the sale is a sale of farm machinery;

(4) the sale is a farm auction sale;

(5) the sale is a sale of substantially all of the assets of a trade or business; or

(6) the total amount of gross receipts from the sale of trade or business property made during the calendar month of the sale and the preceding 11 calendar months does not exceed \$1,000.

The use, storage, distribution, or consumption of tangible personal property acquired as a result of a sale exempt under this subdivision is also exempt.

(b) For purposes of this subdivision, the following terms have the meanings given.

(1) A "farm auction" is a public auction conducted by a licensed auctioneer if substantially all of the property sold consists of property used in the trade or business of farming and property not used primarily in a trade or business.

(2) "Trade or business" includes the assets of a separate division, branch, or identifiable segment of a trade or business if, before the sale, the income and expenses attributable to the separate division, branch, or identifiable segment could be separately ascertained from the books of account or record (the lease or rental of an identifiable segment does not qualify for the exemption).

(3) A "sale of substantially all of the assets of a trade or business" must occur as a single transaction or a series of related transactions within the 12-month period beginning on the date of the first sale of assets intended to qualify for the exemption provided in paragraph (a), clause (5).

EFFECTIVE DATE. This section is effective retroactively for sales and purchases made after December 31, 2017.

Sec. 75. Minnesota Statutes 2016, section 297B.03, is amended to read:

297B.03 EXEMPTIONS.

There is specifically exempted from the provisions of this chapter and from computation of the amount of tax imposed by it the following:

(1) purchase or use, including use under a lease purchase agreement or installment sales contract made pursuant to section 465.71, of any motor vehicle by the United States and its agencies and instrumentalities and by any person described in and subject to the conditions provided in section 297A.67, subdivision 11;

(2) purchase or use of any motor vehicle by any person who was a resident of another state or country at the time of the purchase and who subsequently becomes a resident of Minnesota, provided the purchase occurred more than 60 days prior to the date such person began residing in the state of Minnesota and the motor vehicle was registered in the person's name in the other state or country;

(3) purchase or use of any motor vehicle by any person making a valid election to be taxed under the provisions of section 297A.90;

(4) purchase or use of any motor vehicle previously registered in the state of Minnesota when such transfer constitutes a transfer within the meaning of section 118, 331, 332, 336, 337, 338, 351, 355, 368, 721, 731, 1031, 1033, or 1563(a) of the Internal Revenue Code, as amended through December 16, 2016;

(5) purchase or use of any vehicle owned by a resident of another state and leased to a Minnesota-based private or for-hire carrier for regular use in the transportation of persons or property in interstate commerce provided the vehicle is titled in the state of the owner or secured party, and that state does not impose a sales tax or sales tax on motor vehicles used in interstate commerce;

(6) purchase or use of a motor vehicle by a private nonprofit or public educational institution for use as an instructional aid in automotive training programs operated by the institution. "Automotive training programs" includes motor vehicle body and mechanical repair courses but does not include driver education programs;

(7) purchase of a motor vehicle by an ambulance service licensed under section 144E.10 when that vehicle is equipped and specifically intended for emergency response or for providing ambulance service;

(8) purchase of a motor vehicle by or for a public library, as defined in section 134.001, subdivision 2, as a bookmobile or library delivery vehicle;

(9) purchase of a ready-mixed concrete truck;

(10) purchase or use of a motor vehicle by a town for use exclusively for road maintenance, including snowplows and dump trucks, but not including automobiles, vans, or pickup trucks;

(11) purchase or use of a motor vehicle by a corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes, except a public school, university, or library, but only if the vehicle is:

(i) a truck, as defined in section 168.002, a bus, as defined in section 168.002, or a passenger automobile, as defined in section 168.002, if the automobile is designed and used for carrying more than nine persons including the driver; and

(ii) intended to be used primarily to transport tangible personal property or individuals, other than employees, to whom the organization provides service in performing its charitable, religious, or educational purpose;

(12) purchase of a motor vehicle for use by a transit provider exclusively to provide transit service is exempt if the transit provider is either (i) receiving financial assistance or reimbursement under section 174.24 or 473.384, or (ii) operating under section 174.29, 473.388, or 473.405;

(13) purchase or use of a motor vehicle by a qualified business, as defined in section 469.310, located in a job opportunity building zone, if the motor vehicle is principally garaged in the job opportunity building zone and is primarily used as part of or in direct support of the person's operations carried on in the job opportunity building zone. The exemption under this clause applies to sales, if the purchase was made and delivery received during the duration of the job opportunity building zone. The exemption under this clause also applies to any local sales and use tax;

(14) purchase of a leased vehicle by the lessee who was a participant in a lease-to-own program from a charitable organization that is:

(i) described in section 501(c)(3) of the Internal Revenue Code; and

(ii) licensed as a motor vehicle lessor under section 168.27, subdivision 4; and

(15) purchase of a motor vehicle used exclusively as a mobile medical unit for the provision of medical or dental services by a federally qualified health center, as defined under title 19 of the Social Security Act, as amended by Section 4161 of the Omnibus Budget Reconciliation Act of 1990.

EFFECTIVE DATE. This section is effective retroactively for sales and purchases made after December 31, 2017.

Sec. 76. Minnesota Statutes 2017 Supplement, section 462D.06, subdivision 1, is amended to read:

Subdivision 1. **Subtraction.** (a) As provided in section 290.0132, subdivision 25, an account holder is allowed a subtraction from ~~the federal taxable~~ adjusted gross income equal to interest or dividends earned on the first-time home buyer savings account during the taxable year.

(b) The subtraction under paragraph (a) is allowed each year for the taxable years including and following the taxable year in which the account was established. No person other than the account holder is allowed a subtraction under this section.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 77. Minnesota Statutes 2017 Supplement, section 462D.06, subdivision 2, is amended to read:

Subd. 2. **Addition.** (a) As provided in section 290.0131, subdivision 14, an account holder must add to federal ~~taxable~~ adjusted gross income the following amounts:

(1) the amount in excess of the total contributions for all taxable years that is withdrawn and used for other than eligible costs, or for a transfer permitted under section 462D.04, subdivision 2; and

(2) the amount remaining in the first-time home buyer savings account at the close of the tenth taxable year that exceeds the total contributions to the account for all taxable years.

(b) For an account that received a transfer under section 462D.04, subdivision 2, the ten-year period under paragraph (a), clause (2), ends at the close of the earliest taxable year that applies to either account under that clause.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 78. Minnesota Statutes 2016, section 469.316, subdivision 1, is amended to read:

Subdivision 1. **Application.** An individual, estate, or trust operating a trade or business in a job opportunity building zone, and an individual, estate, or trust making a qualifying investment in a qualified business operating in a job opportunity building zone qualifies for the exemptions from taxes imposed under chapter 290, as provided in this section. The exemptions provided under this section apply only to the extent that the income otherwise would be taxable under chapter 290. Subtractions under this section from federal adjusted gross income, federal taxable income, alternative minimum taxable income, or any other base subject to tax are limited to the amount that otherwise would be included in the tax base absent the exemption under this section. This section applies only to taxable years beginning during the duration of the job opportunity building zone.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 79. Minnesota Statutes 2016, section 469.317, is amended to read:

469.317 CORPORATE FRANCHISE TAX EXEMPTION.

(a) A qualified business is exempt from taxation under section 290.02, ~~the alternative minimum tax under section 290.0921,~~ and the minimum fee under section 290.0922, on the portion of its income attributable to operations within the zone. ~~This exemption is determined as follows:~~

~~(1)~~ (b) For purposes of the tax imposed under section 290.02, the exemption is determined by multiplying its taxable net income by its zone percentage and by its relocation payroll percentage and subtracting the result in determining taxable income;

~~(2) for purposes of the alternative minimum tax under section 290.0921, by multiplying its alternative minimum taxable income by its zone percentage and by its relocation payroll percentage and reducing alternative minimum taxable income by this amount; and~~

~~(3)~~ (c) For purposes of the minimum fee under section 290.0922, the exemption is determined by excluding property and payroll in the zone from the computations of the fee or by exempting the entity under section 290.0922, subdivision 2, clause (7).

~~(4)~~ (d) No subtraction is allowed under this section in excess of 20 percent of the sum of the corporation's job opportunity building zone payroll and the adjusted basis of the property at the time that the property is first used in the job opportunity building zone by the corporation.

(e) (e) This section applies only to taxable years beginning during the duration of the job opportunity building zone.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 80. **ESTIMATED TAXES; EXCEPTIONS.**

No addition to tax, penalties, or interest may be made under Minnesota Statutes, section 289A.25 or 289A.26, for any period before November 15, 2018, with respect to an underpayment of estimated tax, to the extent that the underpayment was created or increased by the inclusion of deferred foreign income in federal taxable income under section 965 of the Internal Revenue Code under this article.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 81. **REPEALER.**

Minnesota Statutes 2016, sections 290.0131, subdivisions 7 and 11; 290.0133, subdivisions 13 and 14; 290.067, subdivision 2a; 290.0921, subdivisions 1, 2, 3, 3a, 4, and 6; and 290.10, subdivision 2, are repealed.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

ARTICLE 3
INDIVIDUAL INCOME, CORPORATE FRANCHISE,
AND ESTATE TAXES

Section 1. Minnesota Statutes 2016, section 116J.8737, subdivision 5, is amended to read:

Subd. 5. **Credit allowed.** (a)(1) A qualified investor or qualified fund is eligible for a credit equal to 25 percent of the qualified investment in a qualified small business. Investments made by a pass-through entity qualify for a credit only if the entity is a qualified fund. The commissioner must not allocate more than ~~\$15,000,000~~ \$5,000,000 in credits to qualified investors or qualified funds for taxable years beginning after December 31, ~~2013~~ 2017, and before January 1, ~~2017~~, ~~and must not allocate more than \$10,000,000 in credits to qualified investors or qualified funds for taxable years beginning after December 31, 2016, and before January 1, 2018~~ 2019; and

(2) ~~for taxable years beginning after December 31, 2014, and before January 1, 2018~~, 50 percent must be allocated to credits for qualifying investments in qualified greater Minnesota businesses and minority- or women-owned qualified small businesses in Minnesota. Any portion of a taxable year's credits that is reserved for qualifying investments in greater Minnesota businesses and minority- or women-owned qualified small businesses in Minnesota that is not allocated by September 30 of the taxable year is available for allocation to other credit applications beginning on October 1. Any portion of a taxable year's credits that is not allocated by the commissioner does not cancel and may be carried forward to subsequent taxable years until all credits have been allocated.

(b) The commissioner may not allocate more than a total maximum amount in credits for a taxable year to a qualified investor for the investor's cumulative qualified investments as an individual qualified investor and as an investor in a qualified fund; for married couples filing joint returns the maximum is \$250,000, and for all other filers the maximum is \$125,000. The commissioner may not allocate more than a total of \$1,000,000 in credits over all taxable years for qualified investments in any one qualified small business.

(c) The commissioner may not allocate a credit to a qualified investor either as an individual qualified investor or as an investor in a qualified fund if, at the time the investment is proposed:

(1) the investor is an officer or principal of the qualified small business; or

(2) the investor, either individually or in combination with one or more members of the investor's family, owns, controls, or holds the power to vote 20 percent or more of the outstanding securities of the qualified small business.

A member of the family of an individual disqualified by this paragraph is not eligible for a credit under this section. For a married couple filing a joint return, the limitations in this paragraph apply collectively to the investor and spouse. For purposes of determining the ownership interest of an investor under this paragraph, the rules under section 267(c) and 267(e) of the Internal Revenue Code apply.

(d) Applications for tax credits ~~for 2010~~ must be made available on the department's Web site by ~~September 1, 2010, and the department must begin accepting applications by September 1, 2010.~~ Applications for subsequent years must be made available by November 1 of the preceding year.

(e) Qualified investors and qualified funds must apply to the commissioner for tax credits. Tax credits must be allocated to qualified investors or qualified funds in the order that the tax credit request applications are filed with the department. The commissioner must approve or reject tax credit request applications within 15 days of receiving the application. The investment specified in the application must be made within 60 days of the allocation of the credits. If the investment is not made within 60 days, the credit allocation is canceled and available for reallocation. A qualified investor or qualified fund that fails to invest as specified in the application, within 60 days of allocation of the credits, must notify the commissioner of the failure to invest within five business days of the expiration of the 60-day investment period.

(f) All tax credit request applications filed with the department on the same day must be treated as having been filed contemporaneously. If two or more qualified investors or qualified funds file tax credit request applications on the same day, and the aggregate amount of credit allocation claims exceeds the aggregate limit of credits under this section or the lesser amount of credits that remain unallocated on that day, then the credits must be allocated among the qualified investors or qualified funds who filed on that day on a pro rata basis with respect to the amounts claimed. The pro rata allocation for any one qualified investor or qualified fund is the product obtained by multiplying a fraction, the numerator of which is the amount of the credit allocation claim filed on behalf of a qualified investor and the denominator of which is the total of all credit allocation claims filed on behalf of all applicants on that day, by the amount of credits that remain unallocated on that day for the taxable year.

(g) A qualified investor or qualified fund, or a qualified small business acting on their behalf, must notify the commissioner when an investment for which credits were allocated has been made, and the taxable year in which the investment was made. A qualified fund must also provide the commissioner with a statement indicating the amount invested by each investor in the qualified fund based on each investor's share of the assets of the qualified fund at the time of the qualified investment. After receiving notification that the investment was made, the commissioner must issue credit certificates for the taxable year in which the investment was made to the qualified investor or, for an investment made by a qualified fund, to each qualified investor who is an investor in the fund. The certificate must state that the credit is subject to revocation if the qualified investor or qualified fund does not hold the investment in the qualified small business for at least three years, consisting of the calendar year in which the investment was made and the two following years. The three-year holding period does not apply if:

(1) the investment by the qualified investor or qualified fund becomes worthless before the end of the three-year period;

(2) 80 percent or more of the assets of the qualified small business is sold before the end of the three-year period;

(3) the qualified small business is sold before the end of the three-year period;

(4) the qualified small business's common stock begins trading on a public exchange before the end of the three-year period; or

(5) the qualified investor dies before the end of the three-year period.

(h) The commissioner must notify the commissioner of revenue of credit certificates issued under this section.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 2. Minnesota Statutes 2016, section 116J.8737, subdivision 12, is amended to read:

Subd. 12. **Sunset.** This section expires for taxable years beginning after December 31, ~~2017~~ 2018, except that reporting requirements under subdivision 6 and revocation of credits under subdivision 7 remain in effect through ~~2019~~ 2020 for qualified investors and qualified funds, and through ~~2021~~ 2022 for qualified small businesses, reporting requirements under subdivision 9 remain in effect through ~~2022~~ 2023, and the appropriation in subdivision 11 remains in effect through ~~2021~~ 2022.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 3. Minnesota Statutes 2017 Supplement, section 290.01, subdivision 4a, is amended to read:

Subd. 4a. **Financial institution.** (a) "Financial institution" means:

(1) any corporation or other business entity registered (i) under state law as a bank holding company; (ii) under the federal Bank Holding Company Act of 1956, as amended; or (iii) as a savings and loan holding company under the federal National Housing Act, as amended;

(2) a national bank organized and existing as a national bank association pursuant to the provisions of United States Code, title 12, chapter 2;

(3) a savings association or federal savings bank as defined in United States Code, title 12, section 1813(b)(1);

(4) any bank or thrift institution incorporated or organized under the laws of any state;

(5) any corporation organized under United States Code, title 12, sections 611 to 631;

(6) any agency or branch of a foreign depository as defined under United States Code, title 12, section 3101;

(7) any corporation or other business entity that is more than 50 percent owned, directly or indirectly, by any person or business entity described in clauses (1) to (6), other than an insurance company taxable under chapter 297I;

(8) a corporation or other business entity that derives more than 50 percent of its total gross income for financial accounting purposes from finance leases. For the purposes of this clause, "gross income" means the average from the current tax year and immediately preceding two years and excludes gross income from incidental or occasional transactions. For purposes of this clause, "finance lease" means any lease transaction that is the functional equivalent of an extension of credit and that transfers substantially all the benefits and risks incident to the ownership of property, including any direct financing lease or leverage lease that meets the criteria of Financial Accounting Standards Board Statement No. 13, accounting for leases, or any other lease that is accounted for as financing by a lessor under generally accepted accounting principles; or

(9) any other person or business entity, other than an insurance company ~~taxable under chapter 297I~~, that derives more than 50 percent of its gross income from activities that an entity described in clauses (2) to (6) or (8) is authorized to transact. For the purposes of this clause, gross income does not include income from nonrecurring, extraordinary items.

(b) The commissioner is authorized to exclude any person from the application of paragraph (a), clause (9), if the person proves by clear and convincing evidence that the person's income-producing activity is not in substantial competition with any person described in paragraph (a), clauses (2) to (6) or (8).

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2016.

Sec. 4. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to read:

Subd. 5c. Disqualified captive insurance company. (a) "Captive insurance company" means a company that:

(1) is licensed as a captive insurance company under the laws of any state or foreign country; or

(2) derives less than 50 percent of its total premiums for the taxable year from sources outside of the unitary business, as that term is used in section 290.17.

(b) A captive insurance company is a "disqualified captive insurance company" if the company:

(1) pays less than 0.5 percent of its total premiums for the taxable year in tax under chapter 297I or a comparable tax of another state; or

(2) receives less than 50 percent of its gross receipts for the taxable year from premiums.

(c) For purposes of this subdivision, "premiums" means amounts paid for arrangements that constitute insurance for federal income tax purposes, but excludes return premiums, premiums for reinsurance assumed from other insurance companies, and any other premiums that are or would be exempt from taxation under section 297I.05 as a result of their type or character, if the insurance was for business in Minnesota.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2016.

Sec. 5. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision to read:

Subd. 31. Disallowed section 280E expenses; medical cannabis manufacturers. The amount of expenses of a medical cannabis manufacturer, as defined under section 152.22, subdivision 7, related to the business of medical cannabis under sections 152.21 to 152.37, and not allowed for federal income tax purposes under section 280E of the Internal Revenue Code is a subtraction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 6. Minnesota Statutes 2016, section 290.0134, is amended by adding a subdivision to read:

Subd. 18. Disallowed section 280E expenses; medical cannabis manufacturers. The amount of expenses of a medical cannabis manufacturer, as defined under section 152.22, subdivision 7, related to the business of medical cannabis under sections 152.21 to 152.37, and not allowed for federal income tax purposes under section 280E of the Internal Revenue Code is a subtraction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 7. Minnesota Statutes 2017 Supplement, section 290.05, subdivision 1, is amended to read:

Subdivision 1. **Exempt entities.** The following corporations, individuals, estates, trusts, and organizations shall be exempted from taxation under this chapter, provided that every such person or corporation claiming exemption under this chapter, in whole or in part, must establish to the satisfaction of the commissioner the taxable status of any income or activity:

(a) corporations, individuals, estates, and trusts engaged in the business of mining or producing iron ore and mining, producing, or refining other ores, metals, and minerals, the mining, production, or refining of which is subject to the occupation tax imposed by section 298.01; but if any such corporation, individual, estate, or trust engages in any other business or activity or has income from any property not used in such business it shall be subject to this tax computed on the net income from such property or such other business or activity. Royalty shall not be considered as income from the business of mining or producing iron ore within the meaning of this section;

(b) the United States of America, the state of Minnesota or any political subdivision of either agencies or instrumentalities, whether engaged in the discharge of governmental or proprietary functions; and

(c) any insurance company, ~~as defined in section 290.17, subdivision 4, paragraph (j), but including any insurance company licensed and domiciled in another state that grants, on a reciprocal basis, exemption from retaliatory taxes other than a disqualified captive insurance company.~~

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2016.

Sec. 8. Minnesota Statutes 2016, section 290.0685, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** (a) An eligible individual is allowed a credit against the tax imposed by this chapter equal to \$2,000 for each ~~birth for which a certificate of birth resulting in stillbirth has been issued under section 144.2151~~ stillbirth. The credit under this section is allowed only in the taxable year in which the stillbirth occurred ~~and if the child would have been a dependent of the taxpayer as defined in section 152 of the Internal Revenue Code.~~

(b) 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).

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

Sec. 9. Minnesota Statutes 2016, section 290.0685, is amended by adding a subdivision to read:

Subd. 1a. Definitions. (a) For purposes of this section, the following terms have the meanings given, unless the context clearly indicates otherwise.

(b) "Certificate of birth resulting in stillbirth" means the printed certificate of birth resulting in stillbirth issued under section 144.2151 or for a stillbirth occurring in another state or country a similar certificate issued under that state's or country's law that documents that the still birth occurred.

(c) "Eligible individual" means an individual who is:

(1)(i) a resident; or

(ii) the nonresident spouse of a resident who is a member of armed forces of the United States or the United Nations; and

(2)(i) the individual who gave birth resulting in stillbirth and is listed as a parent on the certificate of birth resulting in stillbirth; or

(ii) the individual who gave birth resulting in stillbirth for a birth outside of this state for which no certificate of birth resulting in stillbirth was issued.

(d) "Stillbirth" means a birth for which a fetal death report would be required under section 144.222, subdivision 1, if the birth occurred in this state.

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

Sec. 10. Minnesota Statutes 2017 Supplement, section 290.17, subdivision 4, is amended to read:

Subd. 4. **Unitary business principle.** (a) If a trade or business conducted wholly within this state or partly within and partly without this state is part of a unitary business, the entire income of the unitary business is subject to apportionment pursuant to section 290.191. Notwithstanding subdivision 2, paragraph (c), none of the income of a unitary business is considered to be derived from any particular source and none may be allocated to a particular place except as provided by the applicable apportionment formula. The provisions of this subdivision do not apply to business income subject to subdivision 5, income of an insurance company, or income of an investment company determined under section 290.36.

(b) The term "unitary business" means business activities or operations which result in a flow of value between them. The term may be applied within a single legal entity or between multiple entities and without regard to whether each entity is a sole proprietorship, a corporation, a partnership or a trust.

(c) Unity is presumed whenever there is unity of ownership, operation, and use, evidenced by centralized management or executive force, centralized purchasing, advertising, accounting, or other controlled interaction, but the absence of these centralized activities will not necessarily evidence a nonunitary business. Unity is also presumed when business activities or operations are of mutual benefit, dependent upon or contributory to one another, either individually or as a group.

(d) Where a business operation conducted in Minnesota is owned by a business entity that carries on business activity outside the state different in kind from that conducted within this state, and the other business is conducted entirely outside the state, it is presumed that the two business operations are unitary in nature, interrelated, connected, and interdependent unless it can be shown to the contrary.

(e) Unity of ownership does not exist when two or more corporations are involved unless more than 50 percent of the voting stock of each corporation is directly or indirectly owned by a common owner or by common owners, either corporate or noncorporate, or by one or more of the member corporations of the group. For this purpose, the term "voting stock" shall include membership interests of mutual insurance holding companies formed under section 66A.40.

(f) The net income and apportionment factors under section 290.191 or 290.20 of foreign corporations and other foreign entities, but excluding a disqualified captive insurance company, which are part of a unitary business shall not be included in the net income or the apportionment factors of the unitary business; except that the income and apportionment factors of a foreign entity, other than an entity treated as a C corporation for federal income tax purposes, that are included in the federal taxable income, as defined in section 63 of the Internal Revenue Code as amended through the date named in section 290.01, subdivision 19, of a domestic corporation, domestic entity, or individual must be included in determining net income and the factors to be used in the apportionment of net income pursuant to section 290.191 or 290.20. A foreign corporation or other foreign entity which is not included on a combined report and which is required to file a return under this chapter shall file on a separate return basis.

(g) For purposes of determining the net income of a unitary business and the factors to be used in the apportionment of net income pursuant to section 290.191 or 290.20, there must be included only the income and apportionment factors of domestic corporations or other domestic entities that are determined to be part of the unitary business pursuant to this subdivision, notwithstanding that foreign corporations or other foreign entities might be included in the unitary business; except that the income and apportionment factors of a foreign entity, other

than an entity treated as a C corporation for federal income tax purposes, that is included in the federal taxable income, as defined in section 63 of the Internal Revenue Code as amended through the date named in section 290.01, subdivision 19, of a domestic corporation, domestic entity, or individual must be included in determining net income and the factors to be used in the apportionment of net income pursuant to section 290.191 or 290.20.

(h) Each corporation or other entity, except a sole proprietorship, that is part of a unitary business must file combined reports as the commissioner determines. On the reports, all intercompany transactions between entities included pursuant to paragraph (g) must be eliminated and the entire net income of the unitary business determined in accordance with this subdivision is apportioned among the entities by using each entity's Minnesota factors for apportionment purposes in the numerators of the apportionment formula and the total factors for apportionment purposes of all entities included pursuant to paragraph (g) in the denominators of the apportionment formula. Except as otherwise provided by paragraph (f), all sales of the unitary business made within this state pursuant to section 290.191 or 290.20 must be included on the combined report of a corporation or other entity that is a member of the unitary business and is subject to the jurisdiction of this state to impose tax under this chapter.

(i) If a corporation has been divested from a unitary business and is included in a combined report for a fractional part of the common accounting period of the combined report:

(1) its income includable in the combined report is its income incurred for that part of the year determined by proration or separate accounting; and

(2) its sales, property, and payroll included in the apportionment formula must be prorated or accounted for separately.

(j) For purposes of this subdivision, "insurance company" means an insurance company, as defined in section 290.01, subdivision 5b, that is:

~~(1) licensed to engage in the business of insurance in Minnesota pursuant to chapter 60A; or~~

~~(2) domiciled and licensed to engage in the business of insurance in another state or country that imposes retaliatory taxes, fines, deposits, penalties, licenses, or fees and that does not grant, on a reciprocal basis, exemption from such retaliatory taxes to insurance companies or their agents domiciled in Minnesota.~~

~~(k) For purposes of this subdivision, "retaliatory taxes" means taxes imposed on insurance companies organized in another state or country that result from the fact that an insurance company organized in the taxing jurisdiction and doing business in the other jurisdiction is subject to taxes, fines, deposits, penalties, licenses, or fees in an amount exceeding that imposed by the taxing jurisdiction upon an insurance company organized in the other state or country and doing business to the same extent in the taxing jurisdiction not a disqualified captive insurance company.~~

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2016.

Sec. 11. Minnesota Statutes 2016, section 291.03, subdivision 8, is amended to read:

Subd. 8. **Definitions.** (a) For purposes of this section, the following terms have the meanings given in this subdivision.

(b) "Family member" means a family member as defined in section 2032A(e)(2) of the Internal Revenue Code, or a trust whose present beneficiaries are all family members as defined in section 2032A(e)(2) of the Internal Revenue Code.

(c) "Qualified heir" means a family member who acquired qualified property upon the death of the decedent and satisfies the requirement under subdivision 9, clause ~~(7)~~ (8), or subdivision 10, clause (5), for the property.

(d) "Qualified property" means qualified small business property under subdivision 9 and qualified farm property under subdivision 10.

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after June 30, 2011.

Sec. 12. Minnesota Statutes 2017 Supplement, section 291.03, subdivision 9, is amended to read:

Subd. 9. **Qualified small business property.** Property satisfying all of the following requirements is qualified small business property:

(1) The value of the property was included in the federal adjusted taxable estate.

(2) The property consists of the assets of a trade or business or shares of stock or other ownership interests in a corporation or other entity engaged in a trade or business. Shares of stock in a corporation or an ownership interest in another type of entity do not qualify under this subdivision if the shares or ownership interests are traded on a public stock exchange at any time during the three-year period ending on the decedent's date of death. For purposes of this subdivision, an ownership interest includes the interest the decedent is deemed to own under ~~sections~~ section 2036, 2037, ~~and~~ 2038, 2040, or 2044 of the Internal Revenue Code.

(3) During the taxable year that ended before the decedent's death, the trade or business must not have been a passive activity within the meaning of section 469(c) of the Internal Revenue Code, and the decedent or the decedent's spouse must have materially participated in the trade or business within the meaning of section 469(h) of the Internal Revenue Code, excluding section 469(h)(3) of the Internal Revenue Code and any other provision provided by United States Treasury Department regulation that substitutes material participation in prior taxable years for material participation in the taxable year that ended before the decedent's death.

(4) The gross annual sales of the trade or business were \$10,000,000 or less for the last taxable year that ended before the date of the death of the decedent.

(5) The property does not include:

(i) cash;

(ii) cash equivalents;

(iii) publicly traded securities; or

(iv) any assets not used in the operation of the trade or business.

(6) For property consisting of shares of stock or other ownership interests in an entity, the value of items described in clause (5) must be excluded in the valuation of the decedent's interest in the entity.

(7) The decedent or the decedent's spouse continuously owned the property, or an undivided or joint interest in the property, including property the decedent or the decedent's spouse is deemed to own under ~~sections~~ section 2036, 2037, ~~and~~ 2038, 2040, or 2044 of the Internal Revenue Code, or under subdivision 1d, for the three-year period ending on the date of death of the decedent. In the case of a sole proprietor, if the property replaced similar property within the three-year period, the replacement property will be treated as having been owned for the three-year period ending on the date of death of the decedent. For the purposes of the three-year holding period under this clause, any ownership by the decedent's spouse, whether the spouse predeceases or survives the decedent, is attributed to the decedent.

(8) For three years following the date of death of the decedent, the trade or business is not a passive activity within the meaning of section 469(c) of the Internal Revenue Code, and a family member materially participates in the operation of the trade or business within the meaning of section 469(h) of the Internal Revenue Code, excluding section 469(h)(3) of the Internal Revenue Code and any other provision provided by United States Treasury Department regulation that substitutes material participation in prior taxable years for material participation in the three years following the date of death of the decedent.

(9) The estate and the qualified heir elect to treat the property as qualified small business property and agree, in the form prescribed by the commissioner, to pay the recapture tax under subdivision 11, if applicable.

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after December 31, 2017.

Sec. 13. Minnesota Statutes 2016, section 291.03, subdivision 10, is amended to read:

Subd. 10. **Qualified farm property.** Property satisfying all of the following requirements is qualified farm property:

(1) The value of the property was included in the federal adjusted taxable estate.

(2) The property consists of agricultural land and is owned by a person or entity that is either not subject to or is in compliance with section 500.24.

(3) For property taxes payable in the taxable year of the decedent's death, the property is classified as class 2a property under section 273.13, subdivision 23, and is classified as agricultural homestead, agricultural relative homestead, or special agricultural homestead under section 273.124.

(4) The decedent or the decedent's spouse continuously owned the property, or an undivided or joint interest in the property, including property the decedent or the decedent's spouse is deemed to own under ~~sections~~ section 2036, 2037, ~~and~~ 2038, 2040, or 2044 of the Internal Revenue Code, or under subdivision 1d, for the three-year period ending on the date of death of the decedent either by ownership of the agricultural land or pursuant to holding an interest in an entity that is not subject to or is in compliance with section 500.24. For the purposes of the three-year holding period under this clause, any ownership by the decedent's spouse, whether the spouse predeceases or survives the decedent, is attributed to the decedent.

(5) The property is classified for property tax purposes as class 2a property under section 273.13, subdivision 23, for three years following the date of death of the decedent.

(6) The estate and the qualified heir elect to treat the property as qualified farm property and agree, in a form prescribed by the commissioner, to pay the recapture tax under subdivision 11, if applicable.

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after December 31, 2017.

Sec. 14. Minnesota Statutes 2017 Supplement, section 291.03, subdivision 11, is amended to read:

Subd. 11. **Recapture tax.** (a) If, within three years after the decedent's death and before the death of the qualified heir, the qualified heir disposes of any interest in the qualified property, other than by a disposition to a family member, or a family member ceases to satisfy the requirement under subdivision 9, clause ~~(7)~~ (8); or 10, clause (5), an additional estate tax is imposed on the property. In the case of a sole proprietor, if the qualified heir replaces qualified small business property excluded under subdivision 9 with similar property, then the qualified heir will not be treated as having disposed of an interest in the qualified property.

(b) The amount of the additional tax equals the amount of the ~~exclusion~~ subtraction claimed by the estate under section 291.016, subdivision 3, for qualified property as defined in subdivision 8, paragraph (d), multiplied by 16 percent.

(c) The additional tax under this subdivision is due on the day which is six months after the date of the disposition or cessation in paragraph (a).

(d) The tax under this subdivision does not apply to the acquisition of title or possession of the qualified property by a federal, state, or local government unit, or any other entity with the power of eminent domain for a public purpose, as defined in section 117.025, subdivision 11, within the three-year holding period.

(e) This subdivision shall not apply as a result of any of the following:

(1) a portion of qualified farm property consisting of less than one-fifth of the acreage of the property is reclassified as class 2b property under section 273.13, subdivision 23, and the qualified heir has not substantially altered the reclassified property during the three-year holding period; or

(2) a portion of qualified farm property classified as 2a property at the death of the decedent pursuant to section 273.13, subdivision 23, paragraph (a), consisting of a residence, garage, and immediately surrounding one acre of land is reclassified as 4bb property during the three-year holding period, and the qualified heir has not substantially altered the property.

(f) This paragraph applies only to estates of decedents dying after June 30, 2011, and before January 1, 2017, for which no tax liability was reported on the final estate tax return. For purposes of estates qualifying under this paragraph, the amount of the subtraction claimed by the estate for purposes of calculating the tax under paragraph (b) is deemed to be the minimum amount of the subtraction necessary to reduce the amount of estate tax to zero, without regard to the amount actually claimed on the final estate tax return. The provisions of this paragraph expire effective January 1, 2020.

EFFECTIVE DATE. The provisions of this section adding paragraph (f) are effective retroactively for estates of decedents dying after June 30, 2011, and before January 1, 2017, and claims for refund of recapture tax may be made under a process established by the commissioner for estates entitled to refunds under the section. The authority to file claims for refunds under these provisions expires on January 1, 2020.

Sec. 15. **APPLICATION OF ANGEL TAX CREDIT FOR TAXABLE YEAR 2018.**

Applications for (1) certification as a qualified small business, qualified investor, or qualified fund under Minnesota Statutes, section 116J.8737, subdivisions 2, 3, and 4, and (2) the credit under Minnesota Statutes, section 116J.8737, subdivision 5, for taxable year 2018 must be made available on the Department of Employment and Economic Development's Web site within 30 days of the day following final enactment of this act. The provisions of Minnesota Statutes, section 116J.8737, generally apply to the taxable year 2018 extension of the credit in sections 1 and 2.

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

ARTICLE 4
SALES AND USE TAXES

Section 1. Minnesota Statutes 2016, section 297A.70, subdivision 7, is amended to read:

Subd. 7. **Hospitals, outpatient surgical centers, and critical access dental providers.** (a) Sales, except for those listed in paragraph ~~(d)~~ (e), to a hospital are exempt, if the items purchased are used in providing hospital services. For purposes of this subdivision, "hospital" means a hospital organized and operated for charitable purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, and licensed under chapter 144 or by any other jurisdiction, and "hospital services" are services authorized or required to be performed by a "hospital" under chapter 144.

(b) Sales, except for those listed in paragraph ~~(d)~~ (e), to an outpatient surgical center are exempt, if the items purchased are used in providing outpatient surgical services. For purposes of this subdivision, "outpatient surgical center" means an outpatient surgical center organized and operated for charitable purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, and licensed under chapter 144 or by any other jurisdiction. For the purposes of this subdivision, "outpatient surgical services" means: (1) services authorized or required to be performed by an outpatient surgical center under chapter 144; and (2) urgent care. For purposes of this subdivision, "urgent care" means health services furnished to a person whose medical condition is sufficiently acute to require treatment unavailable through, or inappropriate to be provided by, a clinic or physician's office, but not so acute as to require treatment in a hospital emergency room.

(c) Sales, except for those listed in paragraph ~~(d)~~ (e), to a critical access dental provider are exempt, if the items purchased are used in providing critical access dental care services. For the purposes of this subdivision, "critical access dental provider" means a dentist or dental clinic that qualifies under section 256B.76, subdivision 4, paragraph (b), and, in the previous calendar year, had no more than 15 percent of its patients covered by private dental insurance.

(d) Sales, except for those listed in paragraph (e), to a qualifying medical facility are exempt, if the items are purchased or used in providing medical services. For purposes of this subdivision, "qualifying medical facility" means a medical facility as defined in section 469.1812, subdivision 2a, that has been granted an abatement of the state general tax under section 469.1817.

~~(d)~~ (e) This exemption does not apply to the following products and services:

(1) purchases made by a clinic, physician's office, or any other medical facility not operating as a hospital, outpatient surgical center, qualifying medical facility, or critical access dental provider, even though the clinic, office, or facility may be owned and operated by a hospital, outpatient surgical center, qualifying medical facility, or critical access dental provider;

(2) sales under section 297A.61, subdivision 3, paragraph (g), clause (2), and prepared food, candy, and soft drinks;

(3) building and construction materials used in constructing buildings or facilities that will not be used principally by the hospital, outpatient surgical center, qualifying medical facility, or critical access dental provider;

(4) building, construction, or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a hospital, outpatient surgical center, qualifying medical facility, or critical access dental provider; or

(5) the leasing of a motor vehicle as defined in section 297B.01, subdivision 11.

~~(e)~~ (f) A limited liability company also qualifies for exemption under this subdivision if (1) it consists of a sole member that would qualify for the exemption, and (2) the items purchased qualify for the exemption.

~~(f)~~ (g) An entity that contains both a hospital and a nonprofit unit may claim this exemption on purchases made for both the hospital and nonprofit unit provided that:

- (1) the nonprofit unit would have qualified for exemption under subdivision 4; and
- (2) the items purchased would have qualified for the exemption.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2018.

Sec. 2. Minnesota Statutes 2017 Supplement, section 297A.70, subdivision 20, is amended to read:

Subd. 20. **Ice arenas and rinks.** Sales to organizations that exist primarily for the purpose of owning or operating ice arenas or rinks that are (1) part of either the Duluth Heritage Sports Center or the David M. Thaler Sports Center; and (2) are used for youth and high school programs, are exempt if the organization is a private, nonprofit corporation exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2018.

Sec. 3. Minnesota Statutes 2016, section 297A.70, is amended by adding a subdivision to read:

Subd. 21. **Nonprofit conservation clubs.** Sales to nonprofit conservation clubs are exempt. For purposes of this subdivision, a "nonprofit conservation club" means an organization exempt under section 501(c)(3) of the Internal Revenue Code that provides instruction, training, and facilities for shooting handguns or rifles.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2018.

Sec. 4. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to read:

Subd. 51. **Public safety facilities.** Materials and supplies used or consumed in and equipment incorporated into construction or remodeling of the following public safety facilities are exempt:

(1) the construction of a new fire station, which includes firefighting and public safety training facilities, in the city of Inver Grove Heights;

(2) the construction of a new fire station or the remodeling and expansion of an existing fire station in the city of Virginia;

(3) the construction of a new fire station on the campus of the Minnetonka City Hall; and

(4) the remodeling and expansion of an existing police and fire station in Minnetonka to accommodate its use as a police station.

EFFECTIVE DATE. This section is effective for sales and purchases made after the day following final enactment and before January 1, 2021.

Sec. 5. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to read:

Subd. 52. **Nonprofit snowmobile clubs.** Building materials and supplies purchased by a nonprofit snowmobile club and used or consumed to construct, reconstruct, or maintain or improve state or grant-in-aid snowmobile trails are exempt. A nonprofit snowmobile club is eligible for the exemption under this subdivision if it received, in the current year or in the previous three-year period, a state grant-in-aid grant administered by the Department of Natural Resources by applying for the grant with a local unit of government sponsor.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2018.

Sec. 6. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to read:

Subd. 53. **Medical facility in underserved area.** Materials and supplies used or consumed in, and equipment incorporated into, the construction or improvement of real property that has been granted an abatement of the state general tax under section 469.1817 are exempt.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2018.

Sec. 7. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to read:

Subd. 54. **Properties destroyed by fire.** Building materials and supplies used or consumed in, and equipment incorporated into, the construction or replacement of real property affected by, and restaurant equipment to replace equipment destroyed in, the fire on March 11, 2018, in the city of Mazeppa are exempt. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in the manner provided in section 297A.75. For purposes of this subdivision, "restaurant equipment" includes durable equipment used in a restaurant for food storage, preparation, and serving.

EFFECTIVE DATE. This section is effective retroactively for sales and purchases made after March 11, 2018, and before January 1, 2021.

Sec. 8. Minnesota Statutes 2017 Supplement, section 297A.75, subdivision 1, is amended to read:

Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the following exempt items must be imposed and collected as if the sale were taxable and the rate under section 297A.62, subdivision 1, applied. The exempt items include:

- (1) building materials for an agricultural processing facility exempt under section 297A.71, subdivision 13;
- (2) building materials for mineral production facilities exempt under section 297A.71, subdivision 14;
- (3) building materials for correctional facilities under section 297A.71, subdivision 3;
- (4) building materials used in a residence for disabled veterans exempt under section 297A.71, subdivision 11;
- (5) elevators and building materials exempt under section 297A.71, subdivision 12;
- (6) materials and supplies for qualified low-income housing under section 297A.71, subdivision 23;

- (7) materials, supplies, and equipment for municipal electric utility facilities under section 297A.71, subdivision 35;
- (8) equipment and materials used for the generation, transmission, and distribution of electrical energy and an aerial camera package exempt under section 297A.68, subdivision 37;
- (9) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, paragraph (a), clause (10);
- (10) materials, supplies, and equipment for construction or improvement of projects and facilities under section 297A.71, subdivision 40;
- (11) materials, supplies, and equipment for construction, improvement, or expansion of:
 - ~~(i) an aerospace defense manufacturing facility exempt under Minnesota Statutes 2014, section 297A.71, subdivision 42;~~
 - (ii) a biopharmaceutical manufacturing facility exempt under section 297A.71, subdivision 45;
 - ~~(iii) a research and development facility exempt under Minnesota Statutes 2014, section 297A.71, subdivision 46; and~~
 - ~~(iv) an industrial measurement manufacturing and controls facility exempt under Minnesota Statutes 2014, section 297A.71, subdivision 47;~~
- (12) enterprise information technology equipment and computer software for use in a qualified data center exempt under section 297A.68, subdivision 42;
- (13) materials, supplies, and equipment for qualifying capital projects under section 297A.71, subdivision 44, paragraph (a), clause (1), and paragraph (b);
- (14) items purchased for use in providing critical access dental services exempt under section 297A.70, subdivision 7, paragraph (c);
- (15) items and services purchased under a business subsidy agreement for use or consumption primarily in greater Minnesota exempt under section 297A.68, subdivision 44;
- (16) building materials, equipment, and supplies for constructing or replacing real property exempt under section 297A.71, ~~subdivision~~ subdivisions 49 and 54; and
- (17) building materials, equipment, and supplies for constructing or replacing real property exempt under section 297A.71, subdivision 50, paragraph (b).

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2018.

Sec. 9. Minnesota Statutes 2016, section 477A.016, is amended to read:

477A.016 NEW TAXES PROHIBITED.

(a) No county, city, town or other taxing authority shall increase a present tax or impose a new tax on sales or income.

(b) No county, city, town, or other taxing authority shall increase a present excise tax or fee or impose a new excise tax or fee on either:

(1) the manufacture, distribution, wholesale, or retail sale of food, based on volume of product sold, product sales value, or the type of product manufactured, distributed, or sold; or

(2) any container used for transporting, protecting, or consuming food.

(c) For purposes of this section:

(1) "food" has the meaning given in section 34A.01, subdivision 4; and

(2) "container" means a bottle, cup, can, bag, or other packaging that is made from plastic, aluminum, glass, cardboard, or other material.

(d) This section does not apply to reasonable license fees lawfully imposed by a county, city, town, or other licensing authority in the exercise of its regulatory authority to license a trade, profession, or business.

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

Sec. 10. Laws 2017, First Special Session chapter 1, article 3, section 32, the effective date, is amended to read:

EFFECTIVE DATE. Paragraph (a) is effective retroactively for sales and purchases made after September 30, 2016, and before January 1, ~~2019~~ 2022. Paragraph (b) is effective for sales and purchases made after September 30, 2016, and before July 1, 2017.

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

Sec. 11. **MUNICIPALLY OWNED WATER TREATMENT FACILITY; CITY OF ELKO NEW MARKET.**

Subdivision 1. **Exemption.** Materials and supplies used or consumed in and equipment incorporated into a water treatment facility owned and operated by the city of Elko New Market are exempt from taxation under Minnesota Statutes, chapter 297A, regardless of whether purchased by the city or a contractor, subcontractor, or builder. All purchases for this facility must be made after June 1, 2014, and before June 1, 2016.

Subd. 2. **Refund.** The tax on purchases exempt under subdivision 1 must be imposed and collected as if the rate under Minnesota Statutes, section 297A.62, applied, and then refunded in the manner provided in Minnesota Statutes, section 297A.75. The applicant must be the city of Elko New Market. Notwithstanding Minnesota Statutes, section 289A.40, subdivision 5, the city of Elko New Market may apply directly to the commissioner of revenue for a refund of the tax paid on items exempt under subdivision 1, the application must be made by December 31, 2018, in the form and manner required by the commissioner, and provide sufficient information so the commissioner can verify the amount paid. If the tax was paid by a contractor, subcontractor, or builder, the contractor, subcontractor, or builder must furnish to the refund applicant a statement including the cost of the exempt items and the taxes paid on the items. Interest must be paid on the refund at the rate in Minnesota Statutes, section 270C.405, from 90 days after the refund claim is filed with the commissioner.

Subd. 3. **Appropriation.** The amount required to make the refunds under this section is appropriated to the commissioner of revenue.

EFFECTIVE DATE. This section is effective retroactively for purchases made after June 1, 2014, and before June 1, 2016.

ARTICLE 5
PROPERTY TAXES

Section 1. Minnesota Statutes 2016, section 138.053, is amended to read:

138.053 COUNTY HISTORICAL SOCIETY; TAX LEVY; CITIES OR TOWNS.

The governing body of any home rule charter or statutory city or town may annually appropriate from its general fund an amount not to exceed 0.02418 percent of estimated market value, derived from ad valorem taxes on property or other revenues, to be paid to the historical society of its respective city, town, or county to be used for the promotion of historical work and to aid in defraying the expenses of carrying on the historical work in the county. No city or town may appropriate any funds for the benefit of any historical society unless the society is affiliated with and approved by the Minnesota Historical Society.

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

Sec. 2. Minnesota Statutes 2016, section 197.603, subdivision 2, is amended to read:

Subd. 2. **Records; data privacy.** Pursuant to chapter 13 the county veterans service officer is the responsible authority with respect to all records in the officer's custody. The data on clients' applications for assistance is private data on individuals, as defined in section 13.02, subdivision 12. The county veterans service officer may disclose to the county assessor private data necessary to determine a client's eligibility for the disabled veteran's homestead market value exclusion under section 273.13, subdivision 34.

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

Sec. 3. Minnesota Statutes 2016, section 272.02, is amended by adding a subdivision to read:

Subd. 102. **Certain property owned by an Indian tribe.** (a) Property is exempt that:

(1) is located in a city of the first class with a population of more than 380,000 as of the 2010 federal census;

(2) was on January 1, 2016, and is for the current assessment, owned by a federally recognized Indian tribe, or its instrumentality, that is located within the state of Minnesota; and

(3) is used exclusively as a pharmacy.

(b) Property that qualifies for the exemption under this subdivision is limited to parcels and structures that do not exceed, in the aggregate, 4,000 square feet. Property acquired for single-family housing, market-rate apartments, agriculture, or forestry does not qualify for this exemption. For assessment year 2018 only, an exemption application under this subdivision is due by July 1, 2018. The exemption created by this subdivision expires with taxes payable in 2028.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2019 and thereafter.

Sec. 4. Minnesota Statutes 2016, section 273.124, subdivision 3a, is amended to read:

Subd. 3a. **Manufactured home park cooperative.** (a) When a manufactured home park is owned by a corporation or association organized under chapter 308A or 308B, and each person who owns a share or shares in the corporation or association is entitled to occupy a lot within the park, the corporation or association may claim homestead treatment for the park. Each lot must be designated by legal description or number, and each lot is limited to not more than one-half acre of land.

(b) The manufactured home park shall be entitled to homestead treatment if all of the following criteria are met:

(1) the occupant or the cooperative corporation or association is paying the ad valorem property taxes and any special assessments levied against the land and structure either directly, or indirectly through dues to the corporation or association; and

(2) the corporation or association organized under chapter 308A or 308B is wholly owned by persons having a right to occupy a lot owned by the corporation or association.

(c) A charitable corporation, organized under the laws of Minnesota with no outstanding stock, and granted a ruling by the Internal Revenue Service for 501(c)(3) tax-exempt status, qualifies for homestead treatment with respect to a manufactured home park if its members hold residential participation warrants entitling them to occupy a lot in the manufactured home park.

(d) "Homestead treatment" under this subdivision means the classification rate provided for class 4c property classified under section 273.13, subdivision 25, paragraph (d), clause (5), item (ii); ~~and the homestead market value exclusion under section 273.13, subdivision 35, does not apply and the property taxes assessed against the park shall not be included in the determination of taxes payable for rent paid under section 290A.03.~~

EFFECTIVE DATE. This section is effective beginning with claims for taxes payable in 2019.

Sec. 5. Minnesota Statutes 2016, section 273.124, subdivision 8, is amended to read:

Subd. 8. Homestead owned by or leased to family farm corporation, joint farm venture, limited liability company, or partnership. (a) Each family farm corporation; each joint family farm venture; and each limited liability company or partnership which operates a family farm; is entitled to class 1b under section 273.13, subdivision 22, paragraph (b), or class 2a assessment for one homestead occupied by a shareholder, member, or partner thereof who is residing on the land, and actively engaged in farming of the land owned by the family farm corporation, joint family farm venture, limited liability company, or partnership. Homestead treatment applies even if:

(1) legal title to the property is in the name of the family farm corporation, joint family farm venture, limited liability company, or partnership, and not in the name of the person residing on it; or

(2) the family farm is operated by a business entity other than the business entity that owns the land, provided that both business entities have the same owners.

"Family farm corporation," "family farm," and "partnership operating a family farm" have the meanings given in section 500.24, except that the number of allowable shareholders, members, or partners under this subdivision shall not exceed 12. "Limited liability company" has the meaning contained in sections 322B.03, subdivision 28, or 322C.0102, subdivision 12, and 500.24, subdivision 2, paragraphs (l) and (m). "Joint family farm venture" means a cooperative agreement among two or more farm enterprises authorized to operate a family farm under section 500.24.

"Business entity" means a corporation, joint venture, partnership, or limited liability company within the meaning of this paragraph.

(b) In addition to property specified in paragraph (a), any other residences owned by family farm corporations, joint family farm ventures, limited liability companies, or partnerships described in paragraph (a) which are located on agricultural land and occupied as homesteads by its shareholders, members, or partners who are actively engaged in farming on behalf of that corporation, joint farm venture, limited liability company, or partnership must also be assessed as class 2a property or as class 1b property under section 273.13.

(c) Agricultural property that is owned by a member, partner, or shareholder of a family farm corporation or joint family farm venture, limited liability company operating a family farm, or by a partnership operating a family farm and leased to the family farm corporation, limited liability company, partnership, or joint farm venture, as defined in paragraph (a), is eligible for classification as class 1b or class 2a under section 273.13, if the owner is actually residing on the property, and is actually engaged in farming the land on behalf of that corporation, joint farm venture, limited liability company, or partnership. This paragraph applies without regard to any legal possession rights of the family farm corporation, joint family farm venture, limited liability company, or partnership under the lease.

(d) Nonhomestead agricultural property that is owned by a family farm corporation, joint farm venture, limited liability company, or partnership; and located not farther than four townships or cities, or combination thereof, from agricultural land that is owned, and used for the purposes of a homestead by an individual who is a shareholder, member, or partner of the corporation, venture, company, or partnership; is entitled to receive the first tier homestead classification rate on any remaining market value in the first homestead class tier that is in excess of the market value of the shareholder's, member's, or partner's class 2 agricultural homestead property, if the owner, or someone acting on the owner's behalf notifies the county assessor by July 1 that the property may be eligible under this paragraph for the current assessment year, for taxes payable in the following year. As used in this paragraph, "agricultural property" means property classified as 2a under section 273.13, along with any contiguous property classified as 2b under section 273.13, if the contiguous 2a and 2b properties are under the same ownership.

EFFECTIVE DATE. This section is effective for assessments beginning in 2018.

Sec. 6. Minnesota Statutes 2016, section 273.124, subdivision 14, is amended to read:

Subd. 14. **Agricultural homesteads; special provisions.** (a) Real estate of less than ten acres that is the homestead of its owner must be classified as class 2a under section 273.13, subdivision 23, paragraph (a), if:

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

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

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

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

Homesteads initially classified as class 2a under the provisions of this paragraph shall remain classified as class 2a, irrespective of subsequent changes in the use of adjoining properties, as long as the homestead remains under the same ownership, the owner owns a noncontiguous parcel of agricultural land that is at least 20 acres, and the agricultural use value qualifies under clause (4). Homestead classification under this paragraph is limited to property that qualified under this paragraph for the 1998 assessment.

(b)(i) Agricultural property shall be classified as the owner's homestead, to the same extent as other agricultural homestead property, if all of the following criteria are met:

(1) the agricultural property consists of at least 40 acres including undivided government lots and correctional 40's;

(2) the owner, the owner's spouse, or a grandchild, child, sibling, or parent of the owner or of the owner's spouse, is actively farming the agricultural property, either on the person's own behalf as an individual or on behalf of a partnership operating a family farm, family farm corporation, joint family farm venture, or limited liability company of which the person is a partner, shareholder, or member;

(3) both the owner of the agricultural property and the person who is actively farming the agricultural property under clause (2), are Minnesota residents;

(4) neither the owner nor the spouse of the owner claims another agricultural homestead in Minnesota; and

(5) neither the owner nor the person actively farming the agricultural property lives farther than four townships or cities, or a combination of four townships or cities, from the agricultural property, except that if the owner or the owner's spouse is required to live in employer-provided housing, the owner or owner's spouse, whichever is actively farming the agricultural property, may live more than four townships or cities, or combination of four townships or cities from the agricultural property.

The relationship under this paragraph may be either by blood or marriage.

~~(ii) Agricultural property held by a trustee under a trust is eligible for agricultural homestead classification under this paragraph if the qualifications in clause (i) are met, except that "owner" means the grantor of the trust.~~

~~(iii)~~ Property containing the residence of an owner who owns qualified property under clause (i) shall be classified as part of the owner's agricultural homestead, if that property is also used for noncommercial storage or drying of agricultural crops.

~~(iv)~~ (iii) As used in this paragraph, "agricultural property" means class 2a property and any class 2b property that is contiguous to and under the same ownership as the class 2a property.

(c) Noncontiguous land shall be included as part of a homestead under section 273.13, subdivision 23, paragraph (a), only if the homestead is classified as class 2a and the detached land is located in the same township or city, or not farther than four townships or cities or combination thereof from the homestead. Any taxpayer of these noncontiguous lands must notify the county assessor that the noncontiguous land is part of the taxpayer's homestead, and, if the homestead is located in another county, the taxpayer must also notify the assessor of the other county.

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

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

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

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

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

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

(5) the owner notifies the county assessor that the relocation was due to the 1997 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in dwelling. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(f) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 1998 assessment shall remain classified agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of damage caused by a March 29, 1998, tornado;

(2) the property is located in the county of Blue Earth, Brown, Cottonwood, LeSueur, Nicollet, Nobles, or Rice;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1998 assessment year;

(4) the dwelling occupied by the owner is located in this state and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to a March 29, 1998, tornado, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in homestead dwelling. For taxes payable in 1999, the owner must notify the assessor by December 1, 1998. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(g) Agricultural property of a family farm corporation, joint family farm venture, family farm limited liability company, or partnership operating a family farm as described under subdivision 8 shall be classified homestead, to the same extent as other agricultural homestead property, if all of the following criteria are met:

(1) the property consists of at least 40 acres including undivided government lots and correctional 40's;

(2) a shareholder, member, or partner of that entity is actively farming the agricultural property;

(3) that shareholder, member, or partner who is actively farming the agricultural property is a Minnesota resident;

(4) neither that shareholder, member, or partner, nor the spouse of that shareholder, member, or partner claims another agricultural homestead in Minnesota; and

(5) that shareholder, member, or partner does not live farther than four townships or cities, or a combination of four townships or cities, from the agricultural property.

Homestead treatment applies under this paragraph even if:

(i) the shareholder, member, or partner of that entity is actively farming the agricultural property on the shareholder's, member's, or partner's own behalf; or

(ii) the family farm is operated by a business entity other than the business entity that owns the land, provided that both business entities have the same owners. For purposes of this paragraph, "business entity" means a corporation, joint venture, partnership, or limited liability company within the meaning of subdivision 8, paragraph (a).

Homestead treatment applies under this paragraph for property leased to a family farm corporation, joint farm venture, limited liability company, or partnership operating a family farm if legal title to the property is in the name of an individual who is a member, shareholder, or partner in the entity.

(h) To be eligible for the special agricultural homestead under this subdivision, an initial full application must be submitted to the county assessor where the property is located. Owners and the persons who are actively farming the property shall be required to complete only a one-page abbreviated version of the application in each subsequent year provided that none of the following items have changed since the initial application:

- (1) the day-to-day operation, administration, and financial risks remain the same;
- (2) the owners and the persons actively farming the property continue to live within the four townships or city criteria and are Minnesota residents;
- (3) the same operator of the agricultural property is listed with the Farm Service Agency;
- (4) a Schedule F or equivalent income tax form was filed for the most recent year;
- (5) the property's acreage is unchanged; and
- (6) none of the property's acres have been enrolled in a federal or state farm program since the initial application.

The owners and any persons who are actively farming the property must include the appropriate Social Security numbers, and sign and date the application. If any of the specified information has changed since the full application was filed, the owner must notify the assessor, and must complete a new application to determine if the property continues to qualify for the special agricultural homestead. The commissioner of revenue shall prepare a standard reapplication form for use by the assessors.

(i) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 2007 assessment shall remain classified agricultural homesteads for subsequent assessments if:

- (1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of damage caused by the August 2007 floods;
- (2) the property is located in the county of Dodge, Fillmore, Houston, Olmsted, Steele, Wabasha, or Winona;
- (3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 2007 assessment year;
- (4) the dwelling occupied by the owner is located in this state and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and
- (5) the owner notifies the county assessor that the relocation was due to the August 2007 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in homestead dwelling. For taxes payable in 2009, the owner must notify the assessor by December 1, 2008. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(j) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 2008 assessment shall remain classified as agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of the March 2009 floods;

(2) the property is located in the county of Marshall;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 2008 assessment year and continue to be used for agricultural purposes;

(4) the dwelling occupied by the owner is located in Minnesota and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to the 2009 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in dwelling. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

EFFECTIVE DATE. This section is effective beginning for property taxes payable in 2019.

Sec. 7. Minnesota Statutes 2016, section 273.124, subdivision 21, is amended to read:

Subd. 21. **Trust property; homestead.** Real or personal property, including agricultural property, held by a trustee under a trust is eligible for classification as homestead property if the property satisfies the requirements of paragraph (a), (b), (c), ~~or (d), or (e).~~

(a) The grantor or surviving spouse of the grantor of the trust occupies and uses the property as a homestead.

(b) A relative or surviving relative of the grantor who meets the requirements of subdivision 1, paragraph (c), in the case of residential real estate; or subdivision 1, paragraph (d), in the case of agricultural property, occupies and uses the property as a homestead.

(c) A family farm corporation, joint farm venture, limited liability company, or partnership operating a family farm in which the grantor or the grantor's surviving spouse is a shareholder, member, or partner rents the property; and, either (1) a shareholder, member, or partner of the corporation, joint farm venture, limited liability company, or partnership occupies and uses the property as a homestead; or (2) the property is at least 40 acres, including undivided government lots and correctional 40's, and a shareholder, member, or partner of the tenant-entity is actively farming the property on behalf of the corporation, joint farm venture, limited liability company, or partnership.

(d) A person who has received homestead classification for property taxes payable in 2000 on the basis of an unqualified legal right under the terms of the trust agreement to occupy the property as that person's homestead and who continues to use the property as a homestead; or, a person who received the homestead classification for taxes payable in 2005 under paragraph (c) who does not qualify under paragraph (c) for taxes payable in 2006 or thereafter but who continues to qualify under paragraph (c) as it existed for taxes payable in 2005.

(e) The qualifications under subdivision 14, paragraph (b), clause (i), are met. For purposes of this paragraph, "owner" means the grantor of the trust or the surviving spouse of the grantor.

(f) For purposes of this subdivision, the following terms have the meanings given them:

(1) "agricultural property" means the house, garage, other farm buildings and structures, and agricultural land;

(2) "agricultural land" has the meaning given in section 273.13, subdivision 23, except that the phrases "owned by same person" or "under the same ownership" as used in that subdivision mean and include contiguous tax parcels owned by:

(i) an individual and a trust of which the individual, the individual's spouse, or the individual's deceased spouse is the grantor; or

(ii) different trusts of which the grantors of each trust are any combination of an individual, the individual's spouse, or the individual's deceased spouse; and

~~For purposes of this subdivision, (3) "grantor" is defined as~~ means the person creating or establishing a testamentary, inter Vivos, revocable or irrevocable trust by written instrument or through the exercise of a power of appointment.

(g) Noncontiguous agricultural land is included as part of a homestead under this subdivision, only if the homestead is classified as class 2a, as defined in section 273.13, subdivision 23, and the detached land is located in the same township or city, or not farther than four townships or cities or combination thereof from the homestead. Any taxpayer of these noncontiguous agricultural lands must notify the county assessor by December 15 for taxes payable in the following year that the noncontiguous agricultural land is part of the taxpayer's homestead, and, if the homestead is located in another county, the taxpayer must also notify the assessor of the other county.

EFFECTIVE DATE. This section is effective beginning for property taxes payable in 2019.

Sec. 8. Minnesota Statutes 2016, section 273.124, is amended by adding a subdivision to read:

Subd. 23. **Fractional homesteads.** In the case of property that is classified as part homestead and part nonhomestead solely because not all the owners occupy or farm the property, not all the owners have qualifying relatives occupying or farming the property, or not all the spouses of owners occupy the property, the portions of property classified as part homestead and part nonhomestead must correspond to the ownership percentages that each owner has in the property, as determined by the land records in the county recorder's office or registrar of titles. If the ownership percentages of each owner cannot be determined by reference to the land records, the portions of property classified as part homestead and part nonhomestead must correspond to the ownership percentages each owner would have if they each owned an equal share of the property.

EFFECTIVE DATE. This section is effective for assessments beginning in 2018.

Sec. 9. Minnesota Statutes 2016, section 273.1245, subdivision 2, is amended to read:

Subd. 2. **Disclosure.** The assessor shall disclose the data described in subdivision 1 to the commissioner of revenue as provided by law. The assessor shall also disclose all or portions of the data described in subdivision 1 to:

(1) the county treasurer solely for the purpose of proceeding under the Revenue Recapture Act to recover personal property taxes owing; and

(2) the county veterans service officer for the purpose of determining a person's eligibility for the disabled veteran's homestead market value exclusion under section 273.13, subdivision 34.

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

Sec. 10. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 22, is amended to read:

Subd. 22. **Class 1.** (a) Except as provided in subdivision 23 and in paragraphs (b) and (c), real estate which is residential and used for homestead purposes is class 1a. In the case of a duplex or triplex in which one of the units is used for homestead purposes, the entire property is deemed to be used for homestead purposes. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

The first \$500,000 of market value of class 1a property has a net classification rate of one percent of its market value; and the market value of class 1a property that exceeds \$500,000 has a classification rate of 1.25 percent of its market value.

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

- (1) any person who is blind as defined in section 256D.35, or the blind person and the blind person's spouse;
- (2) any person who is permanently and totally disabled or by the disabled person and the disabled person's spouse; or
- (3) the surviving spouse of a permanently and totally disabled veteran homesteading a property classified under this paragraph for taxes payable in 2008.

Property is classified and assessed under clause (2) only if the government agency or income-providing source certifies, upon the request of the homestead occupant, that the homestead occupant satisfies the disability requirements of this paragraph, and that the property is not eligible for the valuation exclusion under subdivision 34.

Property is classified and assessed under paragraph (b) only if the commissioner of revenue or the county assessor certifies that the homestead occupant satisfies the requirements of this paragraph.

Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings the person an income. The first \$50,000 market value of class 1b property has a net classification rate of .45 percent of its market value. The remaining market value of class 1b property is classified as class 1a or class 2a property, whichever is appropriate.

(c) Class 1c property is commercial use real and personal property that abuts public water as defined in section 103G.005, subdivision 15, or abuts a state trail administered by the Department of Natural Resources, and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner, which includes a dwelling occupied as a homestead by a shareholder of a corporation that owns the resort, a partner in a partnership that owns the resort, or a member of a limited liability company that owns the resort even if, whether the title to the homestead is held by the corporation, partnership, or limited liability company, or by a shareholder of a corporation that owns the resort, a partner in a partnership that owns the resort, or a member of a limited liability company that owns the resort. For purposes of this paragraph, property is devoted to a commercial purpose on a specific day if any portion of the property, excluding the portion used exclusively as a homestead, is used for residential occupancy and a fee is charged for residential occupancy. Class 1c property must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. Class 1c property must provide recreational activities such as the rental of ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina services, launch services, or guide services; or sell bait and fishing tackle. Any unit in which the right to use the property is transferred to an individual or entity by deeded interest, or the sale of shares or stock, no longer qualifies for class 1c even though it may remain available for rent. A camping

pad offered for rent by a property that otherwise qualifies for class 1c is also class 1c, regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. If the same owner owns two separate parcels that are located in the same township, and one of those properties is classified as a class 1c property and the other would be eligible to be classified as a class 1c property if it was used as the homestead of the owner, both properties will be assessed as a single class 1c property; for purposes of this sentence, properties are deemed to be owned by the same owner if each of them is owned by a limited liability company, and both limited liability companies have the same membership. The portion of the property used as a homestead is class 1a property under paragraph (a). The remainder of the property is classified as follows: the first \$600,000 of market value is tier I, the next \$1,700,000 of market value is tier II, and any remaining market value is tier III. The classification rates for class 1c are: tier I, 0.50 percent; tier II, 1.0 percent; and tier III, 1.25 percent. Owners of real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes in which all or a portion of the property was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 1c, must, by January 15 of the assessment year, submit a declaration to the assessor designating: (1) the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year; and (2) the portion of the resort used as a homestead and the owner of the homestead under the title. Those cabins or units and a proportionate share of the land on which they are located must be designated as class 1c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located must be designated as class 3a commercial. The owner of property desiring designation as class 1c property must provide guest registers or other records demonstrating that the units for which class 1c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 1c.

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

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

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

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

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

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

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2020.

Sec. 11. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 23, is amended to read:

Subd. 23. **Class 2.** (a) An agricultural homestead consists of class 2a agricultural land that is homesteaded, along with any class 2b rural vacant land that is contiguous to the class 2a land under the same ownership. The market value of the house and garage and immediately surrounding one acre of land has the same classification rates as class 1a or 1b property under subdivision 22. The value of the remaining land including improvements up to the first tier valuation limit of agricultural homestead property has a classification rate of 0.5 percent of market value. The remaining property over the first tier has a classification rate of one percent of market value. For purposes of this subdivision, the "first tier valuation limit of agricultural homestead property" and "first tier" means the limit certified under section 273.11, subdivision 23.

(b) Class 2a agricultural land consists of parcels of property, or portions thereof, that are agricultural land and buildings. Class 2a property has a classification rate of one percent of market value, unless it is part of an agricultural homestead under paragraph (a). Class 2a property must also include any property that would otherwise be classified as 2b, but is interspersed with class 2a property, including but not limited to sloughs, wooded wind shelters, acreage abutting ditches, ravines, rock piles, land subject to a setback requirement, and other similar land that is impractical for the assessor to value separately from the rest of the property or that is unlikely to be able to be sold separately from the rest of the property.

An assessor may classify the part of a parcel described in this subdivision that is used for agricultural purposes as class 2a and the remainder in the class appropriate to its use.

(c) Class 2b rural vacant land consists of parcels of property, or portions thereof, that are unplatted real estate, rural in character and not used for agricultural purposes, including land used for growing trees for timber, lumber, and wood and wood products, that is not improved with a structure. The presence of a minor, ancillary nonresidential structure as defined by the commissioner of revenue does not disqualify the property from classification under this paragraph. Any parcel of 20 acres or more improved with a structure that is not a minor, ancillary nonresidential structure must be split-classified, and ten acres must be assigned to the split parcel containing the structure. Class 2b property has a classification rate of one percent of market value unless it is part of an agricultural homestead under paragraph (a), or qualifies as class 2c under paragraph (d).

(d) Class 2c managed forest land consists of no less than 20 and no more than 1,920 acres statewide per taxpayer that is being managed under a forest management plan that meets the requirements of chapter 290C, but is not enrolled in the sustainable forest resource management incentive program. It has a classification rate of .65 percent, provided that the owner of the property must apply to the assessor in order for the property to initially qualify for the reduced rate and provide the information required by the assessor to verify that the property qualifies for the reduced rate. If the assessor receives the application and information before May 1 in an assessment year, the property qualifies beginning with that assessment year. If the assessor receives the application and information after April 30 in an assessment year, the property may not qualify until the next assessment year. The commissioner of natural resources must concur that the land is qualified. The commissioner of natural resources shall annually provide county assessors verification information on a timely basis. The presence of a minor, ancillary nonresidential structure as defined by the commissioner of revenue does not disqualify the property from classification under this paragraph.

(e) Agricultural land as used in this section means:

(1) contiguous acreage of ten acres or more, used during the preceding year for agricultural purposes; or

(2) contiguous acreage used during the preceding year for an intensive livestock or poultry confinement operation, provided that land used only for pasturing or grazing does not qualify under this clause.

"Agricultural purposes" as used in this section means the raising, cultivation, drying, or storage of agricultural products for sale, or the storage of machinery or equipment used in support of agricultural production by the same farm entity. For a property to be classified as agricultural based only on the drying or storage of agricultural products, the products being dried or stored must have been produced by the same farm entity as the entity operating the drying or storage facility. "Agricultural purposes" also includes (i) enrollment in a local conservation program or the Reinvest in Minnesota program under sections 103F.501 to 103F.535 or the federal Conservation Reserve Program as contained in Public Law 99-198 or a similar state or federal conservation program if the property was classified as agricultural ~~(+)~~ (A) under this subdivision for taxes payable in 2003 because of its enrollment in a qualifying program and the land remains enrolled or ~~(+)~~ (B) in the year prior to its enrollment, or (ii) use of land, not to exceed the greater of three acres or ten percent of the total land area, to provide environmental benefits such as buffer strips, old growth forest restoration or retention, or retention ponds to prevent soil erosion. For the purposes

of item (ii), "total land area" means contiguous parcels under common ownership. For purposes of this section, a "local conservation program" means a program administered by a town, statutory or home rule charter city, or county, including a watershed district, water management organization, or soil and water conservation district, in which landowners voluntarily enroll land and receive incentive payments equal to at least \$50 per acre in exchange for use or other restrictions placed on the land. In order for property to qualify under the local conservation program provision, a taxpayer must apply to the assessor by February 1 of the assessment year and must submit the information required by the assessor, including but not limited to a copy of the program requirements, the specific agreement between the land owner and the local agency, if applicable, and a map of the conservation area. Agricultural classification shall not be based upon the market value of any residential structures on the parcel or contiguous parcels under the same ownership.

"Agricultural purposes" also includes land consisting of a holding pond designed to prevent runoff onto a divided four-lane expressway that is located at least 150 feet above the expressway, as certified by the local soil and water conservation district in accordance with USDA Field Office Technical Guide conservation practice standards, provided that the land is located outside the metropolitan area as defined in section 473.121, and was classified as agricultural in assessment year 2017.

"Contiguous acreage," for purposes of this paragraph, means all of, or a contiguous portion of, a tax parcel as described in section 272.193, or all of, or a contiguous portion of, a set of contiguous tax parcels under that section that are owned by the same person.

(f) Agricultural land under this section also includes:

(1) contiguous acreage that is less than ten acres in size and exclusively used in the preceding year for raising or cultivating agricultural products; or

(2) contiguous acreage that contains a residence and is less than 11 acres in size, if the contiguous acreage exclusive of the house, garage, and surrounding one acre of land was used in the preceding year for one or more of the following three uses:

(i) for an intensive grain drying or storage operation, or for intensive machinery or equipment storage activities used to support agricultural activities on other parcels of property operated by the same farming entity;

(ii) as a nursery, provided that only those acres used intensively to produce nursery stock are considered agricultural land; or

(iii) for intensive market farming; for purposes of this paragraph, "market farming" means the cultivation of one or more fruits or vegetables or production of animal or other agricultural products for sale to local markets by the farmer or an organization with which the farmer is affiliated.

"Contiguous acreage," for purposes of this paragraph, means all of a tax parcel as described in section 272.193, or all of a set of contiguous tax parcels under that section that are owned by the same person.

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

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

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

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

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

(2) aquacultural products for sale and consumption, as defined under section 17.47, if the aquaculture occurs on land zoned for agricultural use;

(3) the commercial boarding of horses, which may include related horse training and riding instruction, if the boarding is done on property that is also used for raising pasture to graze horses or raising or cultivating other agricultural products as defined in clause (1);

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

(5) game birds and waterfowl bred and raised (i) on a game farm licensed under section 97A.105, provided that the annual licensing report to the Department of Natural Resources, which must be submitted annually by March 30 to the assessor, indicates that at least 500 birds were raised or used for breeding stock on the property during the preceding year and that the owner provides a copy of the owner's most recent schedule F; or (ii) for use on a shooting preserve licensed under section 97A.115;

(6) insects primarily bred to be used as food for animals;

(7) trees, grown for sale as a crop, including short rotation woody crops, and not sold for timber, lumber, wood, or wood products; and

(8) maple syrup taken from trees grown by a person licensed by the Minnesota Department of Agriculture under chapter 28A as a food processor.

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

(1) wholesale and retail sales;

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

(3) warehousing or storage of processed goods; and

(4) office facilities for the support of the activities enumerated in clauses (1), (2), and (3),

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

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

(l) Class 2d airport landing area consists of a landing area or public access area of a privately owned public use airport. It has a classification rate of one percent of market value. To qualify for classification under this paragraph, a privately owned public use airport must be licensed as a public airport under section 360.018. For purposes of this paragraph, "landing area" means that part of a privately owned public use airport properly cleared, regularly maintained, and made available to the public for use by aircraft and includes runways, taxiways, aprons, and sites upon which are situated landing or navigational aids. A landing area also includes land underlying both the primary surface and the approach surfaces that comply with all of the following:

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

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

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

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

(m) Class 2e consists of land with a commercial aggregate deposit that is not actively being mined and is not otherwise classified as class 2a or 2b, provided that the land is not located in a county that has elected to opt-out of the aggregate preservation program as provided in section 273.1115, subdivision 6. It has a classification rate of one percent of market value. To qualify for classification under this paragraph, the property must be at least ten contiguous acres in size and the owner of the property must record with the county recorder of the county in which the property is located an affidavit containing:

(1) a legal description of the property;

(2) a disclosure that the property contains a commercial aggregate deposit that is not actively being mined but is present on the entire parcel enrolled;

(3) documentation that the conditional use under the county or local zoning ordinance of this property is for mining; and

(4) documentation that a permit has been issued by the local unit of government or the mining activity is allowed under local ordinance. The disclosure must include a statement from a registered professional geologist, engineer, or soil scientist delineating the deposit and certifying that it is a commercial aggregate deposit.

For purposes of this section and section 273.1115, "commercial aggregate deposit" means a deposit that will yield crushed stone or sand and gravel that is suitable for use as a construction aggregate; and "actively mined" means the removal of top soil and overburden in preparation for excavation or excavation of a commercial deposit.

(n) When any portion of the property under this subdivision or subdivision 22 begins to be actively mined, the owner must file a supplemental affidavit within 60 days from the day any aggregate is removed stating the number of acres of the property that is actively being mined. The acres actively being mined must be (1) valued and classified under subdivision 24 in the next subsequent assessment year, and (2) removed from the aggregate resource preservation property tax program under section 273.1115, if the land was enrolled in that program. Copies of the original affidavit and all supplemental affidavits must be filed with the county assessor, the local zoning administrator, and the Department of Natural Resources, Division of Land and Minerals. A supplemental affidavit must be filed each time a subsequent portion of the property is actively mined, provided that the minimum acreage change is five acres, even if the actual mining activity constitutes less than five acres.

(o) The definitions prescribed by the commissioner under paragraphs (c) and (d) are not rules and are exempt from the rulemaking provisions of chapter 14, and the provisions in section 14.386 concerning exempt rules do not apply.

EFFECTIVE DATE. This section is effective for assessment year 2019 and thereafter.

Sec. 12. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 34, is amended to read:

Subd. 34. **Homestead of disabled veteran or family caregiver.** (a) All or a portion of the market value of property owned by a veteran and serving as the veteran's homestead under this section is excluded in determining the property's taxable market value if the veteran has a service-connected disability of 70 percent or more as certified by the United States Department of Veterans Affairs. To qualify for exclusion under this subdivision, the veteran must have been honorably discharged from the United States armed forces, as indicated by United States Government Form DD214 or other official military discharge papers.

(b)(1) For a disability rating of 70 percent or more, \$150,000 of market value is excluded, except as provided in clause (2); and

(2) for a total (100 percent) and permanent disability, \$300,000 of market value is excluded.

(c) If a disabled veteran qualifying for a valuation exclusion under paragraph (b), clause (2), predeceases the veteran's spouse, and if upon the death of the veteran the spouse holds the legal or beneficial title to the homestead and permanently resides there, the exclusion shall carry over to the benefit of the veteran's spouse for the current taxes payable year and for eight additional taxes payable years or until such time as the spouse remarries, or sells, transfers, or otherwise disposes of the property, whichever comes first, except as otherwise provided in paragraph (n). Qualification under this paragraph requires an application under paragraph (h), and a spouse must notify the assessor if there is a change in the spouse's marital status, ownership of the property, or use of the property as a permanent residence.

(d) If the spouse of a member of any branch or unit of the United States armed forces who dies due to a service-connected cause while serving honorably in active service, as indicated on United States Government Form DD1300 or DD2064, holds the legal or beneficial title to a homestead and permanently resides there, the spouse is entitled to the benefit described in paragraph (b), clause (2), for eight taxes payable years, or until such time as the spouse remarries or sells, transfers, or otherwise disposes of the property, whichever comes first, except as otherwise provided in paragraph (n).

(e) If a veteran meets the disability criteria of paragraph (a) but does not own property classified as homestead in the state of Minnesota, then the homestead of the veteran's primary family caregiver, if any, is eligible for the exclusion that the veteran would otherwise qualify for under paragraph (b).

(f) In the case of an agricultural homestead, only the portion of the property consisting of the house and garage and immediately surrounding one acre of land qualifies for the valuation exclusion under this subdivision.

(g) A property qualifying for a valuation exclusion under this subdivision is not eligible for the market value exclusion under subdivision 35, or classification under subdivision 22, paragraph (b).

(h) To qualify for a valuation exclusion under this subdivision a property owner must apply to the assessor by ~~July 1~~ December 15 of the first assessment year for which the exclusion is sought. For an application received after ~~July 1~~ December 15, the exclusion shall become effective for the following assessment year. Except as provided in paragraph (c), the owner of a property that has been accepted for a valuation exclusion must notify the assessor if there is a change in ownership of the property or in the use of the property as a homestead. When a property qualifying for a market value exclusion under this subdivision is sold or transferred, the exclusion must be removed for the current assessment year, provided that the new owner may file a claim for an exclusion if eligible.

(i) A first-time application by a qualifying spouse for the market value exclusion under paragraph (d) must be made any time within two years of the death of the service member.

(j) For purposes of this subdivision:

(1) "active service" has the meaning given in section 190.05;

(2) "own" means that the person's name is present as an owner on the property deed;

(3) "primary family caregiver" means a person who is approved by the secretary of the United States Department of Veterans Affairs for assistance as the primary provider of personal care services for an eligible veteran under the Program of Comprehensive Assistance for Family Caregivers, codified as United States Code, title 38, section 1720G; and

(4) "veteran" has the meaning given the term in section 197.447.

(k) If a veteran dying after December 31, 2011, did not apply for or receive the exclusion under paragraph (b), clause (2), before dying, the veteran's spouse is entitled to the benefit under paragraph (b), clause (2), for eight taxes payable years or until the spouse remarries or sells, transfers, or otherwise disposes of the property, except as otherwise provided in paragraph (n), if:

(1) the spouse files a first-time application within two years of the death of the service member or by June 1, 2019, whichever is later;

(2) upon the death of the veteran, the spouse holds the legal or beneficial title to the homestead and permanently resides there;

(3) the veteran met the honorable discharge requirements of paragraph (a); and

(4) the United States Department of Veterans Affairs certifies that:

(i) the veteran met the total (100 percent) and permanent disability requirement under paragraph (b), clause (2); or

(ii) the spouse has been awarded dependency and indemnity compensation.

(l) The purpose of this provision of law providing a level of homestead property tax relief for gravely disabled veterans, their primary family caregivers, and their surviving spouses is to help ease the burdens of war for those among our state's citizens who bear those burdens most heavily.

(m) By July 1, the county veterans service officer must certify the disability rating and permanent address of each veteran receiving the benefit under paragraph (b) to the assessor.

(n) A spouse who received the benefit in paragraph (c), (d), or (k) but no longer holds the legal or beneficial title to the property may continue to receive the exclusion for a property other than the property for which the exclusion was initially granted until the spouse remarries or sells, transfers, or otherwise disposes of the property, provided that:

(1) the spouse applies under paragraph (h) for the continuation of the exclusion allowed under this paragraph;

(2) the spouse holds the legal or beneficial title to the property for which the continuation of the exclusion is sought under this paragraph, and permanently resides there;

(3) the estimated market value of the property for which the exclusion is sought under this paragraph is less than or equal to the estimated market value of the property that first received the exclusion, based on the value of each property on the date of the sale of the property that first received the exclusion; and

(4) the spouse has not previously received the benefit under this paragraph for a property other than the property for which the exclusion is sought.

The exclusion for a spouse under this paragraph and paragraph (c), (d), or (k) may not exceed a total of eight taxes payable years.

EFFECTIVE DATE. This section is effective beginning with assessments in 2018, for taxes payable in 2019.

Sec. 13. Minnesota Statutes 2016, section 273.13, subdivision 35, is amended to read:

Subd. 35. **Homestead market value exclusion.** (a) Prior to determining a property's net tax capacity under this section, property classified as class 1a or 1b under subdivision 22, and the portion of property classified as class 2a under subdivision 23 consisting of the house, garage, and surrounding one acre of land, shall be eligible for a market value exclusion as determined under paragraph (b).

(b) For a homestead valued at \$76,000 or less, the exclusion is 40 percent of market value. For a homestead valued between \$76,000 and \$413,800, the exclusion is \$30,400 minus nine percent of the valuation over \$76,000. For a homestead valued at \$413,800 or more, there is no valuation exclusion. The valuation exclusion shall be rounded to the nearest whole dollar, and may not be less than zero.

(c) Any valuation exclusions or adjustments under section 273.11 shall be applied prior to determining the amount of the valuation exclusion under this subdivision.

(d) In the case of a property that is classified as part homestead and part nonhomestead, (i) the exclusion shall apply only to the homestead portion of the property, but (ii) if a portion of a property is classified as nonhomestead solely because not all the owners occupy the property, not all the owners have qualifying relatives occupying the property, or solely because not all the spouses of owners occupy the property, the exclusion amount shall be initially computed as if that nonhomestead portion were also in the homestead class and then prorated to the owner-occupant's percentage of ownership, as determined by section 273.124, subdivision 23. For the purpose of this section, when an owner-occupant's spouse does not occupy the property, the percentage of ownership for the owner-occupant spouse is one-half of the couple's ownership percentage.

EFFECTIVE DATE. This section is effective for taxes payable in 2019 and thereafter.

Sec. 14. Minnesota Statutes 2017 Supplement, section 273.1384, subdivision 2, is amended to read:

Subd. 2. **Agricultural homestead market value credit.** Property classified as agricultural homestead under section 273.13, subdivision 23, paragraph (a), is eligible for an agricultural credit. The credit is computed using the property's agricultural credit market value, defined for this purpose as the property's market value excluding the market value of the house, garage, and immediately surrounding one acre of land. The credit is equal to 0.3 percent of the first \$115,000 of the property's agricultural credit market value plus 0.1 percent of the property's agricultural credit market value in excess of \$115,000, subject to a maximum credit of \$490 for a full agricultural homestead. In the case of property that is classified as part homestead and part nonhomestead solely because not all the owners occupy or farm the property, not all the owners have qualifying relatives occupying or farming the property, or solely because not all the spouses of owners occupy the property, the credit is computed on the amount of

agricultural credit market value corresponding to the owner-occupant's percentage of homestead. the percentage of homestead is equal to 100 divided by the number of owners of the property, or, in the case of a trust, the number of grantors of the trust that owns the property. ownership, as determined by section 273.124, subdivision 23, and the maximum credit equals \$490 multiplied by the percentage of ownership.

EFFECTIVE DATE. This section is effective for taxes payable in 2019 and thereafter.

Sec. 15. Minnesota Statutes 2016, section 275.025, is amended by adding a subdivision to read:

Subd. 6. Natural gas pipeline. (a) The county must abate the state general levy on personal property that is part of an intrastate natural gas transportation or distribution pipeline system if:

(1) construction of the pipeline system commenced after January 1, 2018; and

(2) the pipeline system provides service to an area:

(i) outside the seven-county metropolitan area, as defined in section 473.121, subdivision 3; and

(ii) in which the majority of households or businesses lacked access to natural gas distribution systems as of January 1, 2018.

(b) In the first year that a taxpayer seeks an abatement under this subdivision, the taxpayer must file an application with the commissioner of revenue by March 1 of the assessment year on a form prescribed by the commissioner.

(c) The commissioner of revenue must notify any affected county in the first year that a pipeline system becomes eligible for an abatement under this subdivision.

(d) The abatement under this subdivision applies for a period not to exceed 12 years, provided that once a property no longer qualifies, it may not subsequently qualify for an abatement under this subdivision.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2020.

Sec. 16. Minnesota Statutes 2016, section 275.025, is amended by adding a subdivision to read:

Subd. 7. Medical facility in underserved area. The state general levy for any property qualifying under section 469.1817 is abated. The net tax capacity of the property must be included in the definition of commercial-industrial tax capacity for the purposes of determining the state general levy tax rate under subdivision 4.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2019.

Sec. 17. Minnesota Statutes 2016, section 282.01, subdivision 6, is amended to read:

Subd. 6. Duties of commissioner after sale. (a) When any sale has been made by the county auditor under sections 282.01 to 282.13, the auditor shall immediately certify to the commissioner of revenue such information relating to such sale, on such forms as the commissioner of revenue may prescribe as will enable the commissioner of revenue to prepare an appropriate deed if the sale is for cash, or keep necessary records if the sale is on terms; and not later than October 31 of each year the county auditor shall submit to the commissioner of revenue a statement of all instances wherein any payment of principal, interest, or current taxes on lands held under certificate, due or to be paid during the preceding calendar years, are still outstanding at the time such certificate is made. When such statement shows that a purchaser or the purchaser's assignee is in default, the commissioner of revenue may instruct

the county board of the county in which the land is located to cancel said certificate of sale in the manner provided by subdivision 5, provided that upon recommendation of the county board, and where the circumstances are such that the commissioner of revenue after investigation is satisfied that the purchaser has made every effort reasonable to make payment of both the annual installment and said taxes, and that there has been no willful neglect on the part of the purchaser in meeting these obligations, then the commissioner of revenue may extend the time for the payment for such period as the commissioner may deem warranted, not to exceed one year. On payment in full of the purchase price, appropriate conveyance in fee, in such form as may be prescribed by the attorney general, shall be issued by the commissioner of revenue, which conveyance must be recorded by the county and shall have the force and effect of a patent from the state subject to easements and restrictions of record at the date of the tax judgment sale, including, but without limitation, permits for telephone and electric power lines either by underground cable or conduit or otherwise, sewer and water lines, highways, railroads, and pipe lines for gas, liquids, or solids in suspension.

(b) The commissioner of revenue shall issue an appropriate conveyance in fee when approval from the county auditor is given based upon written confirmation from a licensed closing agent, title insurer, or title insurance agent as specified in section 82.641. For purposes of this paragraph, "written confirmation" means a written commitment or approval that the funding for the conveyance is held in an escrow account available for disbursement upon delivery of a conveyance. The conveyance issued by the commissioner of revenue shall not be effective as a conveyance until it is recorded. The conveyance shall be issued to the county auditor where the land is located. Upon receipt of the conveyance, the county auditor shall hold the conveyance until the conveyance is requested from a licensed closing agent, title insurer, or title insurance agent to settle and close on the conveyance. If a request for the conveyance is not made within 30 days of the date the conveyance is issued by the commissioner of revenue, the county auditor shall return the conveyance to the commissioner. If the conveyance is delivered to the licensed closing agent, title insurer, or title insurance agent and the closing does not occur within ten days of the request, the licensed closing agent, title insurer, or title insurance agent shall immediately return the conveyance to the county auditor and, upon receipt, the county auditor shall return the conveyance to the commissioner of revenue. The commissioner of revenue shall cancel and destroy all conveyances returned by the county auditor pursuant to this subdivision. The licensed closing agent, title insurer, or title insurance agent must promptly record the conveyance after the closing and must deliver an attested or certified copy to the county auditor and to the grantee or grantees named on the conveyance.

EFFECTIVE DATE. This section is effective for conveyances issued by the commissioner of revenue after December 31, 2018.

Sec. 18. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 13, is amended to read:

Subd. 13. **Property taxes payable.** "Property taxes payable" means the property tax exclusive of special assessments, penalties, and interest payable on a claimant's homestead after deductions made under sections 273.135, 273.1384, 273.1391, 273.42, subdivision 2, and any other state paid property tax credits in any calendar year, and after any refund claimed and allowable under section 290A.04, subdivision 2h, that is first payable in the year that the property tax is payable. In the case of a claimant who makes ground lease payments, "property taxes payable" includes the amount of the payments directly attributable to the property taxes assessed against the parcel on which the house is located. Regardless of the limitations in section 280A(c)(5) of the Internal Revenue Code, "property taxes payable" must be apportioned or reduced for the use of a portion of the claimant's homestead for a business purpose if the claimant deducts any business depreciation expenses for the use of a portion of the homestead or deducts expenses under section 280A of the Internal Revenue Code for a business operated in the claimant's homestead. For homesteads which are manufactured homes as defined in section 273.125, subdivision 8, ~~and for homesteads which are~~ including manufactured homes located in a manufactured home community owned by a cooperative organized under chapter 308A or 308B, and park trailers taxed as manufactured homes under section 168.012, subdivision 9, "property taxes payable" shall also include 17 percent of the gross rent paid in the preceding year for the site on which the homestead is located. When a homestead is owned by two or more persons as joint

tenants or tenants in common, such tenants shall determine between them which tenant may claim the property taxes payable on the homestead. If they are unable to agree, the matter shall be referred to the commissioner of revenue whose decision shall be final. Property taxes are considered payable in the year prescribed by law for payment of the taxes.

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

EFFECTIVE DATE. This section is effective beginning with claims for taxes payable in 2019.

Sec. 19. Minnesota Statutes 2016, 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 request an early notification of approval or denial at any time. The commissioner must notify a taxpayer in writing of the reasons for an application denial and that the application may be amended and resubmitted by the due date specified in this subdivision. 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 2019 and thereafter.

Sec. 20. Minnesota Statutes 2016, section 469.171, subdivision 4, is amended to read:

Subd. 4. **Restriction.** The tax reductions provided by this section shall not apply to (1) a facility the primary purpose of which is one of the following: ~~retail food and beverage services, automobile sales or service, or the provision of recreation or entertainment, or a private or commercial golf course, country club, massage parlor, tennis club, skating facility including roller skating, skateboard, and ice skating, racquet sports facility, including any handball or racquetball court, hot tub facility, suntan facility, or racetrack;~~ (2) property of a public utility; (3) property used in the operation of a financial institution; (4) property owned by a fraternal or veterans' organization; or (5) ~~property of a business operating under a franchise agreement that requires the business to be located in the state; except that tax reductions may be provided to a retail food or beverage facility or an automobile sales or service facility, or a business~~ a retail food or beverage facility operating under a franchise agreement that requires the business to be located in this state ~~except for such a franchised retail food or beverage facility.~~

EFFECTIVE DATE. This section is effective the day following final enactment and confirms the legislative intent of the amendment made by Laws 2012, chapter 294, article 2, section 25.

Sec. 21. Minnesota Statutes 2016, section 469.1812, subdivision 1, is amended to read:

Subdivision 1. **Scope.** For purposes of sections 469.1812 to ~~469.1815~~ 469.1817, the following terms have the meanings given.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2019.

Sec. 22. Minnesota Statutes 2016, section 469.1812, is amended by adding a subdivision to read:

Subd. 2a. **Medical facility.** "Medical facility" means:

(1) an office, clinic, building, or portion of a building, the primary use of which is the provision of primary or specialty health care services to patients on an outpatient basis, by one or more state-licensed or registered health care providers;

(2) a birth center licensed under section 144.615;

(3) a hospital licensed under sections 144.50 to 144.56;

(4) an urgent care clinic which provides treatment for medical conditions that are not life-threatening or potentially permanently disabling and do not require critical or emergency interventions; or

(5) an outpatient surgical center licensed under section 144.55.

EFFECTIVE DATE. This section is effective the day following final enactment for taxes payable beginning in 2019 and for sales and purchases made after June 30, 2018.

Sec. 23. Minnesota Statutes 2016, section 469.1812, is amended by adding a subdivision to read:

Subd. 2b. **Medically underserved county.** "Medically underserved county" means a county, any portion of which is designated by the federal secretary of health and human services as a medically underserved area or medically underserved population, as defined under Code of Federal Regulations, title 42, section 51C.102. By December 15 of each year, the commissioner of health must certify to the commissioner of revenue the counties that are medically underserved. By December 31 of each year, the commissioner of revenue must certify the list of medically underserved counties to county assessors, for assessments in the following year.

EFFECTIVE DATE. This section is effective beginning with assessment year 2018 for taxes payable in 2019. For assessment year 2018, the certification required to be made by the commissioner of health must be made by June 1, 2018, and the certification required to be made by the commissioner of revenue must be made by June 15, 2018.

Sec. 24. **[469.1817] MEDICAL FACILITY TAX ABATEMENT.**

Subdivision 1. **Qualification.** The state general tax under section 275.025 must be abated by the county for any property or portion thereof containing a medical facility that has been granted an abatement under section 469.1813, provided that:

(1) the facility is located in a medically underserved county at the time the abatement resolution is adopted;

(2) the facility is not located in a metropolitan county as defined under section 473.121, subdivision 4;

(3) the resolution of one or more governing bodies granting the abatement specifies that the facility addresses an underserved need for medical services in the area; and

(4) both the county and the city or town are abating all taxes on the property containing the facility for at least 15 years under section 469.1813, subdivision 2.

Subd. 2. **Application.** A taxpayer seeking an abatement under this section must file an application with the county assessor by March 1 of the first assessment year for which the abatement is sought, on a form prescribed by the commissioner of revenue.

Subd. 3. **Duration.** The state general tax is abated for 15 years.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2019.

Sec. 25. Minnesota Statutes 2016, section 473H.08, subdivision 1, is amended to read:

Subdivision 1. **Till expiration started.** Agricultural preserves shall continue until either the landowner or the authority, or a state agency or governmental unit initiates expiration as provided in this section.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to any agricultural preserve where the previously required eight-year termination period under Minnesota Statutes, section 473H.08, has not yet expired.

Sec. 26. Minnesota Statutes 2016, section 473H.08, is amended by adding a subdivision to read:

Subd. 3a. **Expiration for park and trail purposes.** (a) An agricultural preserve expires immediately when a state agency or other governmental unit purchases the property or obtains an easement over the property for the purpose of creating or expanding a public trail or public park. This subdivision applies only to the portion of the agricultural preserve acquired for trail or park purposes, and any portion of the property not acquired for trail or park purposes shall remain an agricultural preserve, regardless if the remaining total acreage is less than 40 acres.

(b) The acquiring state agency or governmental unit shall give notice of the expiration under paragraph (a) to the authority. The notice must specify the portion of the property being removed from the agricultural preserve and the date on which that portion expires.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to any agricultural preserve where the previously required eight-year termination period under Minnesota Statutes, section 473H.08, has not yet expired.

Sec. 27. Minnesota Statutes 2016, section 473H.08, subdivision 4, is amended to read:

Subd. 4. **Notice to others.** Upon receipt of the notice provided in subdivision 2 or 3a, or upon notice served by the authority as provided in subdivision 3, the authority shall forward the original notice to the county recorder for recording, or to the registrar of titles if the land is registered, and shall notify the county auditor, county assessor, the Metropolitan Council, and the county soil and water conservation district of the date of expiration. Designation as an agricultural preserve and all benefits and limitations accruing through sections 473H.02 to 473H.17 for the preserve shall cease on the date of expiration. The restrictive covenant contained in the application shall terminate on the date of expiration.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to any agricultural preserve where the previously required eight-year termination period under Minnesota Statutes, section 473H.08, has not yet expired.

Sec. 28. Minnesota Statutes 2016, section 477A.013, subdivision 13, is amended to read:

Subd. 13. **Certified aid adjustments.** ~~(a) A city that received an aid base increase under Minnesota Statutes 2012, section 477A.011, subdivision 36, paragraph (e), shall have its total aid under subdivision 9 increased by an amount equal to \$150,000 for aids payable in 2014 through 2018.~~

~~(b)~~ (a) A city that received an aid base increase under Minnesota Statutes 2012, section 477A.011, subdivision 36, paragraph (r), shall have its total aid under subdivision 9 increased by an amount equal to \$160,000 for aids payable in 2014 and thereafter.

~~(c) A city that received a temporary aid increase under Minnesota Statutes 2012, section 477A.011, subdivision 36, paragraph (o), shall have its total aid under subdivision 9 increased by an amount equal to \$1,000,000 for aids payable in 2014 only.~~

(b) For aids payable in 2019 only, a city shall have its total aid under subdivision 9 increased by an amount equal to its aid decrease between aids payable in 2016 and 2017 if:

(1) the city's aid decreased by more than \$50,000 between aids payable in 2016 and 2017 under this section; and

(2) the city's unmet need amount calculated for aids payable in 2017 exceeded its aids payable in 2016.

(c) The city of Lilydale shall have its total aid under subdivision 9 increased by \$150,000 for aids payable in 2019 only.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2019.

Sec. 29. Laws 2008, chapter 366, article 5, section 33, the effective date, as amended by Laws 2013, chapter 143, article 4, section 35, is amended to read:

EFFECTIVE DATE. This section is effective for taxes levied in 2008, payable in 2009, and is repealed effective for taxes levied in ~~2018~~ 2023, payable in ~~2019~~ 2024, and thereafter.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2019.

Sec. 30. Laws 2009, chapter 88, article 2, section 46, subdivision 1, as amended by Laws 2013, chapter 143, article 4, section 36, is amended to read:

Subdivision 1. **Agreement.** The city of Cloquet and Perch Lake Township, by resolution of each of their governing bodies, may establish the Cloquet Area Fire and Ambulance Special Taxing District for the purpose of providing fire or ambulance services, or both, throughout the district. In this section, "municipality" means home rule charter and statutory cities, towns, and Indian tribes. The district may exercise all the powers relating to fire and ambulance services of the municipalities that receive fire or ambulance services, or both, from the district. Upon application, any other municipality may join the district with the agreement of the municipalities that comprise the district at the time of its application to join.

EFFECTIVE DATE. This section is effective upon compliance by the Cloquet Area Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 31. Laws 2009, chapter 88, article 2, section 46, subdivision 2, is amended to read:

Subd. 2. **Board.** The Cloquet Area Fire and Ambulance Special Taxing District Board is governed by a board made up initially of one or more elected officials of the governing body of each participating municipality in the proportions set out in the establishing resolution, subject to change as provided in the district's charter, if any, or in the district's bylaws. Each municipality's representatives serve at the pleasure of that municipality's governing body.

EFFECTIVE DATE. This section is effective upon compliance by the Cloquet Area Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 32. Laws 2009, chapter 88, article 2, section 46, subdivision 3, as amended by Laws 2013, chapter 143, article 4, section 37, is amended to read:

Subd. 3. **Tax.** The district board may impose a property tax on taxable property as provided in this subdivision to pay the costs of providing fire or ambulance services, or both, throughout the district. The board shall annually determine the total amount of the levy that is attributable to the cost of providing fire services and the cost of providing ambulance services within the primary service area. For those municipalities that only receive ambulance services, the costs for the provision of ambulance services shall be levied against taxable property within those municipalities at a rate necessary not to exceed 0.019 percent of the estimated market value. For those municipalities that receive both fire and ambulance services, the tax shall be imposed at a rate that does not exceed 0.2835 percent of estimated market value.

When a member municipality opts to receive fire service from the district or an additional municipality becomes a member of the district, the cost of providing fire services to that community shall be determined by the board and added to the maximum levy amount.

Each county auditor of a county that contains a municipality subject to the tax under this section must collect the tax and pay it to the Fire and Ambulance Special Taxing District. The district may also impose other fees or charges as allowed by law for the provision of fire and ambulance services.

EFFECTIVE DATE. This section is effective upon compliance by the Cloquet Area Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 33. Laws 2009, chapter 88, article 2, section 46, subdivision 4, is amended to read:

Subd. 4. **Public indebtedness.** The district may incur debt in the manner provided for in Minnesota Statutes, chapter 475, and the district shall be considered a municipality by Minnesota Statutes, chapter 475, when necessary to accomplish its duties, as defined in Minnesota Statutes, sections 475.51, subdivision 2, and 475.521, subdivision 1, paragraph (c), and may issue certificates of indebtedness or capital notes in the manner provided for a city under Minnesota Statutes, section 412.301, when necessary to accomplish its duties. Any tax levied to pay debt of the district shall be levied in the amounts required and in accordance with Minnesota Statutes, section 475.61. The debt service for debt, the proceeds of which financed capital costs for ambulance service, shall be levied against taxable property within those municipalities in the primary service area. The debt service for debt, the proceeds of which financed capital costs for fire service, shall be levied against taxable property within those municipalities receiving fire services.

EFFECTIVE DATE. This section is effective upon compliance by the Cloquet Area Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 34. Laws 2009, chapter 88, article 2, section 46, subdivision 5, is amended to read:

Subd. 5. **Withdrawal.** Notice of intent to withdraw from participation in the district may be given only in the month of January, with a minimum of twelve months notice of intent to withdraw. Withdrawal becomes effective for taxes levied pursuant to subdivision 3 in the year when the notice is given. A property tax levied by the district on taxable property located in a withdrawing municipality to make debt service payments for obligations issued by the district pursuant to subdivision 4 shall remain in effect until the obligations outstanding on the date of withdrawal are satisfied, including any property tax levied in connection with a refunding of such obligations. The district and its members may develop and agree upon other continuing obligations after withdrawal of a municipality.

EFFECTIVE DATE. This section is effective upon compliance by the Cloquet Area Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 35. Laws 2017, First Special Session chapter 1, article 10, section 4, the effective date, is amended to read:

EFFECTIVE DATE; APPLICATION. This section is effective for applications and certifications made in 2018 and thereafter, except the repeal of the exclusion of land under item (iii) is effective retroactively for payments due under Minnesota Statutes, section 290C.08, beginning for payments due to be made in 2014. In order to qualify for retroactive payments, the following requirements must be met: (1) the owner of land exceeding 60,000 acres that is subject to a single conservation easement funded under Minnesota Statutes, section 97A.056 or a comparable permanent easement conveyed to a governmental or nonprofit entity, must submit an application to the commissioner of revenue, in a form and manner and at a time acceptable to the commissioner, establishing that the affected property and its use met the requirement of Minnesota Statutes, chapter 290C, as amended by this section; (2) the owner and each county in which the land is located must certify to the commissioner that no petitions challenging the market value of the property are pending under Minnesota Statutes, chapter 278; and (3) the requirements of clauses (1) and (2) must be satisfied by October 1, 2017. No interest accrues on payment under this section for periods before November 1, 2017.

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

Sec. 36. **SPECIAL REFUND PROVISION; DISABLED VETERANS HOMESTEAD EXCLUSION.**

A veteran who was first notified by the United States Department of Veterans Affairs after July 1, 2017, but before November 1, 2017, as having a total (100 percent) and permanent disability effective prior to July 1, 2016, but who did not apply to the assessor by July 1, 2016, for a benefit in Minnesota Statutes, section 273.13, subdivision 34, paragraph (b), for assessment year 2016, and who did not apply to the assessor by July 1, 2017, for the benefit in Minnesota Statutes, section 273.13, subdivision 34, paragraph (b), for assessment year 2017, may apply to the county assessor for a refund of taxes paid in 2017 and 2018 if the veteran otherwise would have qualified for the exclusion in those years. To qualify for a refund, a property owner must apply to the assessor by November 1, 2018, and must have paid all tax due in 2017 and 2018. After verifying that the applicant qualified for an exclusion in 2016 and 2017, the county assessor must notify the county auditor, and the auditor must recalculate the taxes on the property for taxes payable in 2017 and 2018 based on the exclusion. The county treasurer must then issue a refund of tax paid in 2017 and 2018 equal to the difference between the taxes as initially calculated for each taxes payable year and the taxes based on the value remaining after the exclusion.

EFFECTIVE DATE. This section is effective for refund applications received in 2018, for refunds of tax paid in 2017 and 2018.

Sec. 37. **SCHOOL PROPERTY TAX REFORM.**

(a) A school property tax working group is established as provided in this section. The goals of the working group are to develop one or more legislative proposals for reform of Minnesota's property tax system that would:

- (1) evaluate the farmland tax burden from the costs of school capital investments;
- (2) simplify the tax system used for school district levies;
- (3) coordinate interactions with the state general levy; and
- (4) accomplish the objectives of this paragraph with optimal levels of state aid and local property tax.

(b) The 16-member working group shall consist of the following members:

(1) two state representatives, both appointed by the chair of the house of representatives Taxes Committee, one from the majority party and one from the largest minority party;

(2) two state representatives, both appointed by the chair of the house of representatives Education Finance Committee, one from the majority party and one from the largest minority party;

(3) four senators appointed by the Subcommittee on Committees of the Senate Rules and Administration Committee, two from the majority party and two from the largest minority party;

(4) one person appointed by the Minnesota School Boards Association;

(5) one person appointed by the Minnesota Rural Education Association;

(6) one person appointed by the Association of Metropolitan School Districts;

(7) one person appointed by Schools for Equity in Education;

(8) one person appointed by the Minnesota Farm Bureau;

(9) one person appointed by the Minnesota Farmers Union;

(10) one person appointed by the Minnesota Chamber of Commerce; and

(11) one person appointed by Minnesota Lakes and Rivers Advocates.

(c) The commissioner of revenue and the commissioner of education, or their designees, shall serve as ex-officio members of the working group.

(d) All appointments must be made before July 1, 2018. The majority party appointee of the house of representatives Taxes Committee chair shall chair the initial meeting, and the working group shall elect a chair at that initial meeting. The working group will meet at the call of the chair. Members of the working group shall serve without compensation. The commissioner of revenue must provide administrative support to the working group. Minnesota Statutes, chapter 13D, does not apply to meetings of the working group. Meetings of the working group must be open to the public and the working group must provide notice of a meeting to potentially interested persons at least five days before the meeting. A meeting of the working group occurs when a quorum is present.

(e) The working group shall make its advisory recommendations to the chairs of the house of representatives and senate Taxes and Education Finance Committees on or before January 1, 2019, at which time the working group shall be finished and this section expires.

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

ARTICLE 6 PUBLIC FINANCE

Section 1. Minnesota Statutes 2016, section 103E.611, subdivision 2, is amended to read:

Subd. 2. **Interest.** (a) Interest is an additional drainage lien on all property until paid. The interest rate on the drainage lien principal from the date the drainage lien statement is recorded must be set by the board but may not exceed the rate determined by the state court administrator for judgments under section 549.09, or six percent, whichever is greater.

(b) Before the tax lists for the year are given to the county treasurer, the auditor shall compute the interest on the unpaid balance of the drainage lien at the rate set by the board. The amount of interest must be computed on the entire unpaid principal from the date the drainage lien was recorded to August 15 of the next calendar year, and afterwards from August 15 to August 15 of each year.

(c) Interest is due and payable after November 1 of each year the drainage lien principal or interest is due and unpaid.

Sec. 2. Minnesota Statutes 2016, section 471.831, is amended to read:

471.831 MUNICIPALITY MAY FILE BANKRUPTCY PETITION.

Subdivision 1. **Any relief under bankruptcy code.** A municipality, as defined in subdivision 2, may file a petition and seek any relief available to it under United States Code, title 11, as amended ~~through December 31, 1996.~~

Subd. 2. **Municipality defined.** In this section, "municipality" means a municipality as defined in United States Code, title 11, section 101, as amended ~~through December 31, 1996,~~ but limited to a county, statutory or home rule charter city, or town; or a housing and redevelopment authority, economic development authority, or rural development financing authority established under chapter 469, a home rule charter, or special law.

Sec. 3. Minnesota Statutes 2017 Supplement, section 473.39, subdivision 6, is amended to read:

Subd. 6. **Limitation; light rail transit.** The council is prohibited from expending any proceeds from certificates of indebtedness, bonds, or other obligations under ~~this section~~ subdivision 1u for project development, land acquisition, or construction to (1) establish a light rail transit line; or (2) expand a light rail transit line, including by extending a line or adding additional stops.

Sec. 4. Minnesota Statutes 2016, section 474A.02, subdivision 22b, is amended to read:

Subd. 22b. **Public facilities project.** "Public facilities project" means any publicly owned facility, or ~~a facility owned by a nonprofit organization~~ a facility that is used for district heating or cooling, whether publicly or privately owned, that is eligible to be financed with the proceeds of public facilities bonds as defined under section 474A.02, subdivision 23a.

Sec. 5. Minnesota Statutes 2016, section 475.521, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** For purposes of this section, the following terms have the meanings given.

(a) "Bonds" mean an obligation defined under section 475.51.

(b) "Capital improvement" means acquisition or betterment of public lands, buildings or other improvements for the purpose of a city hall, town hall, library, public safety facility, and public works facility. An improvement must have an expected useful life of five years or more to qualify. Capital improvement does not include light rail transit or any activity related to it, or a park, road, bridge, administrative building other than a city or town hall, or land for any of those facilities. For purposes of this section, "capital improvement" includes expenditures for purposes described in this paragraph that have been incurred by a municipality before approval of a capital improvement plan, if such expenditures are included in a capital improvement plan approved on or before the date of the public hearing under subdivision 2 regarding issuance of bonds for such expenditures.

(c) "Municipality" means a home rule charter or statutory city or a town ~~described in section 368.01, subdivision 1 or 1a.~~

ARTICLE 7 MISCELLANEOUS

Section 1. Minnesota Statutes 2017 Supplement, section 298.17, is amended to read:

298.17 OCCUPATION TAXES TO BE APPORTIONED; REFUND.

(a) All occupation taxes paid by persons, copartnerships, companies, joint stock companies, corporations, and associations, however or for whatever purpose organized, engaged in the business of mining or producing iron ore or other ores, when collected shall be apportioned and distributed in accordance with the Constitution of the state of Minnesota, article X, section 3, in the manner following: 90 percent shall be deposited in the state treasury and credited to the general fund of which four-ninths shall be used for the support of elementary and secondary schools; and ten percent of the proceeds of the tax imposed by this section shall be deposited in the state treasury and credited to the general fund for the general support of the university.

(b) Of the money apportioned to the general fund by this section, the following allocations must be made:

(1) there is annually appropriated and credited to the mining environmental and regulatory account in the special revenue fund an amount equal to that which would have been generated by a 2-1/2 cent tax imposed by section 298.24 on each taxable ton produced in the preceding calendar year. Money in the mining environmental and regulatory account is appropriated annually to the commissioner of natural resources to fund agency staff to work on environmental issues and provide regulatory services for ferrous and nonferrous mining operations in this state. Payment to the mining environmental and regulatory account shall be made by July 1 annually. The commissioner of natural resources shall execute an interagency agreement with the Pollution Control Agency to assist with the provision of environmental regulatory services such as monitoring and permitting required for ferrous and nonferrous mining operations;

(2) there is annually appropriated and credited to the Iron Range resources and rehabilitation account in the special revenue fund an amount equal to that which would have been generated by a 1.5 cent tax imposed by section 298.24 on each taxable ton produced in the preceding calendar year, to be expended for the purposes of section 298.22. The money appropriated shall be used (i) to provide environmental development grants to local governments located within any county in region 3 as defined in governor's executive order number 60, issued on June 12, 1970, that does not contain a municipality qualifying pursuant to section 273.134, paragraph (b), or (ii) to

provide economic development loans or grants to businesses located within any such county, provided that the county board or an advisory group appointed by the county board to provide recommendations on economic development shall make recommendations to the commissioner of Iron Range resources and rehabilitation regarding the loans. Of the money allocated to Koochiching County, one-third must be paid to the Koochiching County Economic Development Commission. Payment to the Iron Range resources and rehabilitation account shall be made by May 15 annually; and

(3) there is annually appropriated and credited to the Iron Range resources and rehabilitation account in the special revenue fund for transfer to the Iron Range school consolidation and cooperatively operated school account under section 298.28, subdivision 7a, an amount equal to that which would have been generated by a six cent tax imposed by section 298.24 on each taxable ton produced in the preceding calendar year. Payment to the Iron Range resources and rehabilitation account shall be made by May 15 annually.

~~(c) The money appropriated pursuant to paragraph (b), clause (2), shall be used (i) to provide environmental development grants to local governments located within any county in region 3 as defined in governor's executive order number 60, issued on June 12, 1970, which does not contain a municipality qualifying pursuant to section 273.134, paragraph (b), or (ii) to provide economic development loans or grants to businesses located within any such county, provided that the county board or an advisory group appointed by the county board to provide recommendations on economic development shall make recommendations to the commissioner of Iron Range resources and rehabilitation regarding the loans. Payment to the Iron Range resources and rehabilitation account shall be made by May 15 annually. After the allocations are made under paragraph (b), any amount remaining in the general fund, of the money apportioned to the general fund under this section in the current year, shall be refunded by the commissioner of revenue as provided. By May 15 annually, the commissioner shall issue a refund to each producer equal to the amount of tax paid by that producer in the current year under section 298.01, as compared to the total amount of tax paid in the current year under section 298.01 by all producers, provided that a producer shall not be eligible for a refund under this section in an amount greater than the amount of tax paid by that producer in the current year. The total amount of refunds issued under this paragraph in any year shall not exceed \$5,000,000.~~

~~(d) Of the money allocated to Koochiching County, one third must be paid to the Koochiching County Economic Development Commission.~~

EFFECTIVE DATE. This section is effective beginning with distributions made in 2020 and thereafter.

Sec. 2. Minnesota Statutes 2016, section 298.225, subdivision 1, is amended to read:

Subdivision 1. **Guaranteed distribution.** (a) Except as provided under paragraph (c), the distribution of the taconite production tax as provided in section 298.28, subdivisions 3 to 5, 6, paragraph (b), 7, and 8, shall equal the lesser of the following amounts:

(1) the amount distributed pursuant to this section and section 298.28, with respect to 1983 production if the production for the year prior to the distribution year is no less than 42,000,000 taxable tons. If the production is less than 42,000,000 taxable tons, the amount of the distributions shall be reduced proportionately at the rate of two percent for each 1,000,000 tons, or part of 1,000,000 tons by which the production is less than 42,000,000 tons; or

(2)(i) for the distributions made pursuant to section 298.28, subdivisions 4, paragraphs (b) and (c), and 6, paragraph (c), 31.2 percent of the amount distributed pursuant to this section and section 298.28, with respect to 1983 production;

(ii) for the distributions made pursuant to section 298.28, subdivision 5, paragraphs (b) and (d), 75 percent of the amount distributed pursuant to this section and section 298.28, with respect to 1983 production provided that the aid guarantee for distributions under section 298.28, subdivision 5, paragraph (b), shall be reduced by five cents per taxable ton for production years 2014 and thereafter.

(b) The distribution of the taconite production tax as provided in section 298.28, subdivision 2, shall equal the following amount:

(1) if the production for the year prior to the distribution year is at least 42,000,000 taxable tons, the amount distributed pursuant to this section and section 298.28 with respect to 1999 production; or

(2) if the production for the year prior to the distribution year is less than 42,000,000 taxable tons, the amount distributed pursuant to this section and section 298.28 with respect to 1999 production, reduced proportionately at the rate of two percent for each 1,000,000 tons or part of 1,000,000 tons by which the production is less than 42,000,000 tons.

(c) The distribution of the taconite production tax under section 298.28, subdivision 3, paragraph (a), guaranteed under this section is equal to the amount distributed under section 298.28, with respect to 1983 production.

EFFECTIVE DATE. This section is effective for distributions in 2020 and thereafter.

Sec. 3. Minnesota Statutes 2017 Supplement, section 298.227, is amended to read:

298.227 TACONITE ECONOMIC DEVELOPMENT FUND.

An amount equal to that distributed pursuant to each taconite producer's taxable production and qualifying sales under section 298.28, subdivision 9a, shall be held by the commissioner of Iron Range resources and rehabilitation in a separate taconite economic development fund for each taconite and direct reduced ore producer. Money from the fund for each producer shall be released by the commissioner after review by a joint committee consisting of an equal number of representatives of the salaried employees and the nonsalaried production and maintenance employees of that producer. The District 11 director of the United States Steelworkers of America, on advice of each local employee president, shall select the employee members. In nonorganized operations, the employee committee shall be elected by the nonsalaried production and maintenance employees. The review must be completed no later than six months after the producer presents a proposal for expenditure of the funds to the committee. The funds held pursuant to this section may be released only for workforce development ~~and associated public facility improvement, concurrent reclamation, or for acquisition of plant and stationary mining equipment and facilities for the producer or for research and development in Minnesota on new mining, or taconite, iron, or steel production technology, but only if the producer provides a matching expenditure equal to the amount of the distribution to be used for the same purpose beginning with distributions in 2014. Effective for proposals for expenditures of money from the fund beginning May 26, 2007, the commissioner may not release the funds before the next scheduled meeting of the board.~~ If a proposed expenditure is not approved by the commissioner, after consultation with the advisory board, the funds must be deposited in the Taconite Environmental Protection Fund under sections 298.222 to 298.225. If a taconite production facility is sold after operations at the facility had ceased, any money remaining in the fund for the former producer may be released to the purchaser of the facility on the terms otherwise applicable to the former producer under this section. If a producer fails to provide matching funds for a proposed expenditure within six months after the commissioner approves release of the funds, the funds ~~are available for release to another producer in proportion to the distribution provided and under the conditions of this section may be released by the commissioner for deposit in the taconite area environmental protection fund created in section 298.223. Any portion of the fund which is not released by the commissioner within one year of its deposit in the fund shall be divided between distributed to the taconite environmental protection fund created in section 298.223 and the Douglas J. Johnson economic protection trust fund created in section 298.292 for placement in their respective special accounts. Two-thirds of the unreleased funds shall be distributed to the taconite environmental protection fund and one-third to the Douglas J. Johnson economic protection trust fund.~~

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

Sec. 4. Minnesota Statutes 2016, section 298.28, subdivision 9a, is amended to read:

Subd. 9a. **Taconite economic development fund.** (a) 25.1 cents per ton for distributions in 2002 and thereafter must be paid to the taconite economic development fund. No distribution shall be made under this paragraph in 2004 or any subsequent year in which total industry production falls below 30 million tons. Distribution shall only be made to a Minnesota taconite pellet producer's fund under section 298.227 if the producer timely pays its tax under section 298.24 by the dates provided under section 298.27, or pursuant to the due dates provided by an administrative agreement with the commissioner.

(b) An amount equal to 50 percent of the tax under section 298.24 for concentrate sold in the form of pellet chips and fines not exceeding 5/16 inch in size and not including crushed pellets shall be paid to the taconite economic development fund. The amount paid shall not exceed \$700,000 annually for all ~~companies~~ Minnesota taconite pellet producers. If the initial amount to be paid to the fund exceeds this amount, each ~~company's~~ Minnesota taconite pellet producer's payment shall be prorated so the total does not exceed \$700,000.

EFFECTIVE DATE. This section is effective retroactively from December 31, 2016.

Sec. 5. Laws 1986, chapter 379, section 1, subdivision 1, is amended to read:

Subdivision 1. **Liquor and food tax authorized.** (a) Notwithstanding Minnesota Statutes, section 477A.016, or any ordinance, city charter, or other provision of law, the city of St. Cloud may, by ordinance, impose a sales tax supplemental to the general sales tax imposed in Minnesota Statutes, chapter 297A, the proceeds of which shall be used in accordance with subdivision 2. The tax imposed by the city may be not more than one percent on the gross receipts from all retail on-sales of intoxicating liquor and fermented malt beverages sold at licensed on-sale liquor establishments located within its geographic boundaries, or not more than one percent on the gross receipts from the retail sale of food and beverages not subject to the liquor tax by a restaurant or place of refreshment located within its geographic boundaries, or both. For purposes of this act, the city shall define the terms "restaurant" and "place of refreshment" by resolution. The governing body of the city may adopt an ordinance establishing a convention center taxing district. The ordinance shall describe with particularity the area within the city to be included in the district. If the city establishes a convention center taxing district, the sales taxes authorized under this subdivision may be imposed only upon the sales occurring at on-sale liquor establishments, restaurants, or other places of refreshment located within the district.

(b) Notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any ordinance, city charter, or other provision of law, the city of St. Cloud may, if approved by the voters at a general election, increase by ordinance the tax allowed under paragraph (a) by up to one-half of one percent. The election must be held before the governing body of the city considers the ordinance. The proceeds of the increased tax must be used for remodeling, improvements, and expansion of the Municipal Athletic Center, including making payments on any associated bonds.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of St. Cloud and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 6. Laws 1986, chapter 379, section 1, subdivision 3, is amended to read:

Subd. 3. **Expiration of taxing authority.** (a) The authority granted by subdivision 1, paragraph (a), to the city to impose a liquor and food tax shall expire when the principal and interest on any bonds or other obligations issued to finance construction of a convention center facility or related facilities have been paid or at an earlier time as the city shall, by ordinance, determine.

(b) The authority granted by subdivision 1, paragraph (b), to increase the tax authorized under subdivision 1, paragraph (a), shall expire at the earlier of:

(1) 25 years; or

(2) when principal and interest on any bonds or other obligations issued to finance the remodeling, improvements, and expansion of the Municipal Athletic Center have been paid.

(c) The authority granted by subdivision 1, paragraph (b), may also terminate by city ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of St. Cloud and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 7. Laws 1986, chapter 379, section 2, subdivision 1, is amended to read:

Subdivision 1. **Additional tax authorized.** (a) Notwithstanding Minnesota Statutes, section 477A.016, or any ordinance, city charter, or other provision of law, the city of St. Cloud may, by ordinance, impose a tax at a rate not to exceed two percent in addition to the tax authorized under Laws 1979, chapter 197, on the gross receipts from the furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or resort other than the renting or leasing of it for a continuous period of 30 days or more.

(b) Notwithstanding Minnesota Statutes, section 477A.016, the city of St. Cloud may, if approved by the voters at a general election, increase by ordinance the tax allowed under paragraph (a) by up to one percent. The election must be held before the governing body of the city considers the ordinance. The proceeds of the increased tax must be used exclusively for the marketing and promotion of the Municipal Athletic Center.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of St. Cloud and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 8. Laws 1986, chapter 396, section 5, as amended by Laws 2001, First Special Session chapter 5, article 12, section 87, and Laws 2012, chapter 299, article 3, section 3, is amended to read:

Sec. 5. **LIQUOR, LODGING, AND RESTAURANT TAXES.**

The city may, by resolution, levy in addition to taxes authorized by other law:

(1) a sales tax of not more than three percent on the gross receipts on retail on-sales of intoxicating liquor and fermented malt beverages when sold at licensed on-sale liquor establishments located within the downtown taxing area, provided that this tax may not be imposed if sales of intoxicating liquor and fermented malt beverages are exempt from taxation under chapter 297A;

(2) a sales tax of not more than three percent on the gross receipts from the furnishing for consideration of lodging for a period of less than 30 days at a hotel, motel, rooming house, tourist court, or trailer camp located within the city by a hotel or motel which has more than 50 rooms available for lodging; the tax imposed under this clause shall be at a rate that, when added to the sum of the rate of the sales tax imposed under Minnesota Statutes, chapter 297A, the rate of the sales tax imposed under section 4, and the rate of any other taxes on lodging in the city of Minneapolis, equals ~~13~~ 13.875 percent; and

(3) a sales tax of not more than three percent on the gross receipts on all sales of food primarily for consumption on or off the premises by restaurants and places of refreshment as defined by resolution of the city that occur within the downtown taxing area.

The taxes authorized by this section must not be terminated before January 1, 2047. The taxes shall be imposed and may be adjusted periodically by the city council such that the rates imposed produce revenue sufficient, together with the tax imposed under section 4, to finance the purposes described in Minnesota Statutes, section 297A.994, and section 4, subdivisions 3 and 4. These taxes shall be applied, first, as provided in Minnesota Statutes, section 297A.994, subdivision 3, clauses (1) to (3), and then, solely to pay, secure, maintain, and fund the payment of any principal of, premium on, and interest on any bonds or any other purposes in section 4, subdivision 3 or 4. The commissioner of revenue may enter into appropriate agreements with the city to provide for the collection of these taxes by the state on behalf of the city. These taxes shall be subject to the same interest, penalties, and enforcement provisions as the taxes imposed under Minnesota Statutes, chapter 297A.

EFFECTIVE DATE. This section is effective for sales and purchases made after September 30, 2018.

Sec. 9. Laws 1986, chapter 462, section 31, as amended by Laws 1991, chapter 291, article 8, section 24, and Laws 2011, chapter 112, article 4, section 6, is amended to read:

Sec. 31. AUTHORITY FOR TAXATION.

Notwithstanding Minnesota Statutes, section 477A.016, or any other law, and supplemental to the tax imposed by Laws 1982, chapter 523, article 25, section 1, the city of St. Paul may impose, by ordinance, a tax, at a rate not greater than ~~three~~ four percent, on the gross receipts from the furnishing for consideration of lodging and related services at a hotel, rooming house, tourist court, motel, or resort, other than the renting or leasing of space for a continuous period of 30 days or more. The tax does not apply to the furnishing of lodging and related services by a business having less than 50 lodging rooms. The tax shall be collected by and its proceeds paid to the city. Ninety-five percent of the revenues generated by this tax shall be used to fund a convention bureau to market and promote the city as a tourist or convention center.

EFFECTIVE DATE. This section is effective the first day of the calendar quarter beginning at least 30 days after the governing body of the city of St. Paul and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 10. Laws 2008, chapter 366, article 5, section 26, as amended by Laws 2013, chapter 143, article 9, section 11, is amended to read:

Sec. 26. BLOOMINGTON TAX INCREMENT FINANCING; FIVE-YEAR RULE.

(a) The requirements of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, are increased to a ~~45~~ 20-year period for the Port Authority of the City of Bloomington's Tax Increment Financing District No. 1-I, Bloomington Central Station.

(b) Notwithstanding the provisions of Minnesota Statutes, section 469.176, or any other law to the contrary, the city of Bloomington and its port authority may extend the duration limits of the district for a period through December 31, 2039.

(c) Effective for taxes payable in 2014, tax increment for the district must be computed using the current local tax rate, notwithstanding the provisions of Minnesota Statutes, section 469.177, subdivision 1a.

(d) The requirements of Minnesota Statutes, section 469.1763, subdivision 4, relating to use of increments after the end of the time limit in Minnesota Statutes, section 469.1763, subdivision 3, do not apply to the Port Authority of the City of Bloomington's Tax Increment Financing District No. 1-I, Bloomington Central Station.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Bloomington and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 11. Laws 2011, First Special Session chapter 7, article 4, section 10, subdivision 3, is amended to read:

Subd. 3. **Use of revenues.** (a) Revenues received from taxes authorized by subdivisions 1 and 2 must be used by the city to pay the cost of collecting the taxes and to pay for the following projects:

(1) \$4,500,000 for construction and completion of park improvement projects, including St. Louis River riverfront improvements; Veteran's Park construction and improvements; improvements to the Hilltop Park soccer complex and Braun Park baseball complex; capital equipment and building and grounds improvements at the Pine Valley Park/Pine Valley Hockey Arena/Cloquet Area Recreation Center; and development of pedestrian trails within the city;

(2) \$5,800,00 for extension of utilities and the construction of all improvements associated with the development of property adjacent to Highway 33 and Interstate Highway 35, including payment of all debt service on bonds issued for these; and

(3) \$6,200,000 for engineering and construction of infrastructure improvements, including, ~~but not limited to roads, bridges,~~ storm sewer, sanitary sewer, and water in areas identified as part of the city's comprehensive land use plan.

(b) Authorized expenses include, but are not limited to, acquiring property and paying construction expenses related to these improvements, and paying debt service on bonds or other obligations issued to finance acquisition and construction of these improvements.

(c) Notwithstanding the revenue allocations in paragraph (a), clause (3), if the amount spent for the improvements under paragraph (a), clause (2), are less than the \$5,800,000 allowed under that clause, the total amount spent for the purpose listed in paragraph (a), clause (3), may be increased by the difference between \$5,800,000 and the amount actually spent under paragraph (a), clause (2). However, the total expenditures for projects under this subdivision may not exceed \$16,500,000, excluding any costs related to issuance of bonds under subdivision 4.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Cloquet and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 12. Laws 2017, First Special Session chapter 1, article 4, section 31, is amended to read:

Sec. 31. **APPROPRIATION; FIRE REMEDIATION GRANTS.**

\$1,392,258 is appropriated in fiscal year 2018 from the general fund to the commissioner of public safety for grants to remediate the effects of fires in the city of Melrose on September 8, 2016. The commissioner must allocate the grants as follows:

(1) ~~\$1,296,458~~ \$1,381,258 to the city of Melrose; and

(2) ~~\$95,800~~ \$11,000 to Stearns County.

A grant recipient must use the money appropriated under this section for remediation costs, including disaster recovery, infrastructure, reimbursement for emergency personnel costs, reimbursement for equipment costs, and reimbursements for property tax abatements, incurred by public or private entities as a result of the fires. This is a onetime appropriation and is available until June 30, ~~2018~~ 2019.

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

Sec. 13. CITY OF EXCELSIOR; TAXES AUTHORIZED.

Subdivision 1. Sales and use tax authorization. Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 1 and 2, or 477A.016, or any other law, ordinance, or city charter, the city of Excelsior may impose, by ordinance, a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 2, as approved by the voters at the November 4, 2014, election. Any additional bonding authority for the purposes specified in subdivision 2 must be approved by the voters at a general election. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. Use of sales and use tax revenues. The revenues derived from the tax authorized under subdivision 1 must be used by the city of Excelsior to pay the costs of collecting and administering the tax and to finance the capital and administrative costs of improvements to the commons as indicated in the November 2016 findings of the commons master planning work group. Authorized expenses include, but are not limited to, improvements for walkability and accessibility, enhancement of beach area and facilities, prevention and management of shoreline erosion, redesign of the port and bandshell, improvement of playground equipment, and securing and paying debt service on bonds issued under subdivision 3 or other obligations issued to the improvements listed in this subdivision in the city of Excelsior.

Subd. 3. Bonding authority. (a) The city of Excelsior may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the projects authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed \$5,000,000, plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Excelsior, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city of Excelsior, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. Termination of taxes. The tax imposed under subdivision 1 expires at the earlier of: (1) 25 years after the tax is first imposed; or (2) when the city council determines that \$5,000,000 has been received from the tax to pay for the cost of the projects authorized under subdivision 2, plus an amount sufficient to pay the costs related to issuance of the bonds authorized under subdivision 3, including interest on the bonds. Any funds remaining after payment of all such costs and retirement or redemption of the bonds shall be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Excelsior and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 14. CITY OF CHAMPLIN; TAX INCREMENT FINANCING DISTRICT; PROJECT REQUIREMENTS.

Subdivision 1. Five-year rule. The governing body of the city of Champlin may elect to extend the five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, to a ten-year period for the Mississippi Crossings tax increment financing district.

Subd. 2. Revenues for decertification. Minnesota Statutes, section 469.1763, subdivision 4, does not apply to the Mississippi Crossings tax increment financing district.

EFFECTIVE DATE. This section is effective the day after the city of Champlin and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 15. **TRANSFER 2018 DISTRIBUTION ONLY.**

For the 2018 distribution, the fund established under Minnesota Statutes, section 298.28, subdivision 7, shall receive ten cents per ton of any excess of the balance remaining after distribution of amounts required under Minnesota Statutes, section 298.28, subdivision 6.

EFFECTIVE DATE. This section is effective for the 2018 distribution, and the transfer must be made within ten days of the August 2018 payment.

Sec. 16. **APPROPRIATION.**

\$5,000 in fiscal year 2019 only is appropriated from the general fund to the commissioner of revenue for a grant of \$2,600 to the city of Mazeppa and a grant of \$2,400 to Wabasha County. The grants, which shall be paid by July 20, 2018, may be used for property tax abatements and other costs incurred by public and private entities as a result of a fire in the city of Mazeppa on March 11, 2018. This is a onetime appropriation.

EFFECTIVE DATE. This section is effective July 1, 2018.

Sec. 17. **APPROPRIATION.**

In addition to other amounts appropriated, \$1,977,000 in fiscal year 2018 and \$1,978,000 in fiscal year 2019 are appropriated from the general fund to the commissioner of revenue to administer this act. These are onetime appropriations.

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

ARTICLE 8
DEPARTMENT OF REVENUE; PROPERTY TAX;
POLICY CHANGES

Section 1. Minnesota Statutes 2016, section 162.145, subdivision 3, is amended to read:

Subd. 3. **Administration.** (a) Subject to funds made available by law, the commissioner shall allocate all funds as provided in subdivision 4 and shall ~~notify, by June 1, certify to~~ the commissioner of revenue the amounts to be paid.

(b) Following ~~notification~~ certification from the commissioner ~~of transportation~~, the commissioner of revenue shall distribute the specified funds to cities in the same manner as local government aid under chapter 477A. An appropriation to the commissioner ~~of transportation~~ under this section is available to the commissioner of revenue for the purposes specified in this paragraph.

(c) Notwithstanding other law to the contrary, in order to receive distributions under this section, a city must conform to the standards in section 477A.017, subdivision 2. A city that receives funds under this section must make and preserve records necessary to show that the funds are spent in compliance with subdivision 4.

EFFECTIVE DATE. This section is effective for aids payable in 2018 and thereafter.

Sec. 2. Minnesota Statutes 2016, section 270.41, subdivision 3, is amended to read:

Subd. 3. **Assessor sanctions; refusal to license.** (a) Following a recommendation from the commissioner of revenue, the board may (i) refuse to grant or renew, or may suspend or revoke, a license of an applicant or licensee, or (ii) censure, warn, or fine any licensed assessor, or any other person employed by an assessment jurisdiction or contracting with an assessment jurisdiction for the purpose of valuing or classifying property for property tax purposes, for any of the following causes or acts:

- (1) failure to complete required training;
- (2) inefficiency or neglect of duty;
- (3) failure to comply with the Code of Conduct and Ethics for Licensed Minnesota Assessors adopted by the board pursuant to Laws 2005, First Special Session chapter 3, article 1, section 38;
- (4) conviction of a crime involving moral turpitude;
- (5) failure to faithfully and fully perform his or her duties through malfeasance, misfeasance, or nonfeasance; or
- (6) any other cause or act that in the board's opinion warrants a refusal to issue a license or the imposition of a sanction provided under this subdivision.

(b) When appropriate for the level of infraction, a written warning must be given to assessors who have no prior identified infractions. The warning must identify the infraction and, as appropriate, detail future expectations of performance and behavior. Fines must not exceed \$1,000 for the first occurrence and must not exceed \$3,000 for each occurrence thereafter, and suspensions must not exceed one year for each occurrence, depending in each case upon the severity of the infraction and the level of negligence or intent. The commissioner of revenue shall give notice to an applicant or licensee of the commissioner's recommendation that the board impose sanctions or refuse to grant or renew a license. An action by the board to impose a ~~sanction~~ fine, to suspend or revoke a license, or to refuse to grant or renew a license is subject to review in a contested case hearing under chapter 14. A licensee must submit a request for a hearing to the board within 30 days of the notice date of the commissioner's recommendation for sanctions or for refusal to grant or renew a license.

EFFECTIVE DATE. This section is effective for sanctions or refusals to grant or renew a license recommended by the commissioner of revenue after June 30, 2018.

Sec. 3. Minnesota Statutes 2017 Supplement, section 272.115, subdivision 1, is amended to read:

Subdivision 1. **Requirement.** Except as otherwise provided in subdivision 5, 6, or 7, whenever any real estate is sold for a consideration in excess of ~~\$1,000~~ \$3,000, whether by warranty deed, quitclaim deed, contract for deed or any other method of sale, the grantor, grantee or the legal agent of either shall file a certificate of value with the county auditor in the county in which the property is located when the deed or other document is presented for recording. Contract for deeds are subject to recording under section 507.235, subdivision 1. Value shall, in the case of any deed not a gift, be the amount of the full actual consideration thereof, paid or to be paid, including the amount of any lien or liens assumed. The items and value of personal property transferred with the real property must be listed and deducted from the sale price. The certificate of value shall include the classification to which the property belongs for the purpose of determining the fair market value of the property, and shall include any proposed change in use of the property known to the person filing the certificate that could change the classification of the property. The certificate shall include financing terms and conditions of the sale which are necessary to determine the actual, present value of the sale price for purposes of the sales ratio study. If the property is being acquired as part of a like-kind exchange under section 1031 of the Internal Revenue Code of 1986, as amended through December 31, 2006, that must be indicated on the certificate. The commissioner of revenue shall promulgate administrative rules specifying the financing terms and conditions which must be included on the certificate. The certificate of value must include the Social Security number or the federal employer identification number of the grantors and grantees. However, a married person who is not an owner of record and who is signing a conveyance instrument along with the person's spouse solely to release and convey their marital interest, if any, in the real property being conveyed is not a grantor for the purpose of the preceding sentence. A statement in the deed that is substantially in the following form is sufficient to allow the county auditor to accept a certificate for filing without the Social Security number of the named spouse: "(Name) claims no ownership interest in the real property being conveyed and is executing this

instrument solely to release and convey a marital interest, if any, in that real property." The identification numbers of the grantors and grantees are private data on individuals or nonpublic data as defined in section 13.02, subdivisions 9 and 12, but, notwithstanding that section, the private or nonpublic data may be disclosed to the commissioner of revenue for purposes of tax administration. The information required to be shown on the certificate of value is limited to the information required as of the date of the acknowledgment on the deed or other document to be recorded.

EFFECTIVE DATE. This section is effective for certificates of value filed after December 31, 2018.

Sec. 4. Minnesota Statutes 2016, section 287.21, subdivision 1, is amended to read:

Subdivision 1. **Determination of tax.** (a) A tax is imposed on each deed or instrument by which any real property in this state is granted, assigned, transferred, or otherwise conveyed. The tax applies against the net consideration. For purposes of the tax, the conversion of a corporation to a limited liability company, a limited liability company to a corporation, a partnership to a limited partnership, a limited partnership to another limited partnership or other entity, or a similar conversion of one entity to another does not grant, assign, transfer, or convey real property.

(b) The tax is determined in the following manner: (1) when transfers are made by instruments pursuant to (i) consolidations or mergers, or (ii) designated transfers, the tax is \$1.65; (2) when there is no consideration or when the consideration, exclusive of the value of any lien or encumbrance remaining thereon at the time of sale, is ~~\$500~~ \$3,000 or less, the tax is \$1.65; or (3) when the consideration, exclusive of the value of any lien or encumbrance remaining at the time of sale, exceeds ~~\$500~~ \$3,000, the tax is .0033 of the net consideration.

(c) If, within six months from the date of a designated transfer, an ownership interest in the grantee entity is transferred by an initial owner to any person or entity with the result that the designated transfer would not have been a designated transfer if made to the grantee entity with its subsequent ownership, then a tax is imposed at .0033 of the net consideration for the designated transfer. If the subsequent transfer of ownership interests was reasonably expected at the time of the designated transfer, the applicable penalty under section 287.31, subdivision 1, must be paid. The deed tax imposed under this paragraph is due within 30 days of the subsequent transfer that caused the tax to be imposed under this paragraph. Involuntary transfers of ownership shall not be considered transfers of ownership under this paragraph. The commissioner may adopt rules defining the types of transfers to be considered involuntary.

(d) The tax is due at the time a taxable deed or instrument is presented for recording, except as provided in paragraph (c). The commissioner may require the tax to be documented in a manner prescribed by the commissioner, and may require that the documentation be attached to and recorded as part of the deed or instrument. The county recorder or registrar of titles shall accept the attachment for recording as part of the deed or instrument and may not require, as a condition of recording a deed or instrument, evidence that a transfer is a designated transfer in addition to that required by the commissioner. Such an attachment shall not, however, provide actual or constructive notice of the information contained therein for purposes of determining any interest in the real property. The commissioner shall prescribe the manner in which the tax due under paragraph (c) is to be paid and may require grantees of designated transfers to file with the commissioner subsequent statements verifying that the tax provided under paragraph (c) does not apply.

EFFECTIVE DATE. This section is effective for deeds recorded after December 31, 2018.

ARTICLE 9

DEPARTMENT OF REVENUE; MISCELLANEOUS; POLICY CHANGES

Section 1. Minnesota Statutes 2016, section 270B.08, subdivision 2, is amended to read:

Subd. 2. **Revocation or cancellation.** When a taxpayer's sales tax permit has been revoked or canceled under section 270C.722 or 297A.84, the commissioner may disclose to any person data identifying the holder of the revoked or canceled permit, ~~stating~~ the basis for the revocation or cancellation, the date of the revocation or cancellation, and ~~stating whether the~~ if a revoked or canceled permit has been reinstated, the date upon which the permit was reinstated.

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

Sec. 2. Minnesota Statutes 2016, section 297A.84, is amended to read:

297A.84 PERMITS ISSUED AND NOT ISSUED; CANCELLATION.

Subdivision 1. **Definitions.** (a) The following definitions apply for the purposes of this section.

(b) "Applicant" means an individual, corporation, or partnership. Applicant also includes any officer of a corporation or member of a partnership.

(c) "Delinquent sales tax" means tax not paid by the date the tax was due and payable under section 289A.20, subdivision 4, or an assessment not paid if the applicant has been issued an order assessing sales and use tax under section 270C.33, subdivision 4.

Subd. 2. **Permits issued.** Except as provided in subdivision 3, the commissioner ~~shall~~ must issue a permit to each applicant who has complied with section 297A.83, and with section 297A.92 if security is required. A person is considered to have a permit if the person has a Minnesota tax identification number issued by the commissioner that is currently active for taxes imposed by this chapter. A permit is valid until canceled or revoked. It is not assignable and is valid only for the person in whose name it is granted and for the transaction of business at the places designated on the permit.

Subd. 3. **Permits not issued.** (a) Except as provided in paragraph (b), the commissioner must not issue a permit to an applicant if the applicant is liable for delinquent sales tax.

(b) The commissioner must issue a permit to an applicant if an appeal period of an order assessing sales tax under section 270C.33, subdivision 5, has not ended. The commissioner may cancel a permit issued under this paragraph in the manner provided in subdivision 4 if the applicant owes delinquent sales tax after the appeal period has ended.

Subd. 4. **Nonconforming permits; cancellation; reissue.** (a) If the commissioner issues a permit that does not conform with the requirements of this section or applicable rules, the commissioner may cancel the permit upon notice to the permit holder. The notice must be served by first class and certified mail at the permit holder's last known address. The cancellation is effective immediately.

(b) If a permit holder shows that a canceled permit was issued in conformance with the requirements of this section and applicable rules, the commissioner must reissue the permit.

EFFECTIVE DATE. This section is effective for permit applications filed after December 31, 2018.

Sec. 3. Minnesota Statutes 2016, section 297A.85, is amended to read:

297A.85 CANCELLATION OF PERMITS.

The commissioner may cancel a permit if one of the following conditions occurs:

- (1) the permit holder has not filed a sales or use tax return for at least one year;

(2) the permit holder has not reported any sales or use tax liability on the permit holder's returns for at least two years;

(3) the permit holder requests cancellation of the permit; ~~or~~

(4) the permit is subject to cancellation ~~pursuant to~~ under section 270C.722, subdivision 2, paragraph (a); ~~or~~

(5) the permit is subject to cancellation under section 297A.84.

EFFECTIVE DATE. This section is effective for permit applications filed after December 31, 2018.

ARTICLE 10 PARTNERSHIP TAX

Section 1. Minnesota Statutes 2017 Supplement, section 270C.445, subdivision 6, is amended to read:

Subd. 6. **Enforcement; administrative order; penalties; cease and desist.** (a) The commissioner may impose an administrative penalty of not more than \$1,000 per violation of subdivision 3 or 5, or section 270C.4451, provided that a penalty may not be imposed for any conduct for which a tax preparer penalty is imposed under section 289A.60, subdivision 13. The commissioner may terminate a tax preparer's authority to transmit returns electronically to the state, if the commissioner determines the tax preparer engaged in a pattern and practice of violating this section. Imposition of a penalty under this paragraph is subject to the contested case procedure under chapter 14. The commissioner shall collect the penalty in the same manner as the income tax. There is no right to make a claim for refund under section 289A.50 of the penalty imposed under this paragraph. Penalties imposed under this paragraph are public data.

(b) In addition to the penalty under paragraph (a), if the commissioner determines that a tax preparer has violated subdivision 3 or 5, or section 270C.4451, the commissioner may issue an administrative order to the tax preparer requiring the tax preparer to cease and desist from committing the violation. The administrative order may include an administrative penalty provided in paragraph (a).

(c) If the commissioner issues an administrative order under paragraph (b), the commissioner must send the order to the tax preparer addressed to the last known address of the tax preparer.

(d) A cease and desist order under paragraph (b) must:

(1) describe the act, conduct, or practice committed and include a reference to the law that the act, conduct, or practice violates; and

(2) provide notice that the tax preparer may request a hearing as provided in this subdivision.

(e) Within 30 days after the commissioner issues an administrative order under paragraph (b), the tax preparer may request a hearing to review the commissioner's action. The request for hearing must be made in writing and must be served on the commissioner at the address specified in the order. The hearing request must specifically state the reasons for seeking review of the order. The date on which a request for hearing is served by mail is the postmark date on the envelope in which the request for hearing is mailed.

(f) If a tax preparer does not timely request a hearing regarding an administrative order issued under paragraph (b), the order becomes a final order of the commissioner and is not subject to review by any court or agency.

(g) If a tax preparer timely requests a hearing regarding an administrative order issued under paragraph (b), the hearing must be commenced within ten days after the commissioner receives the request for a hearing.

(h) A hearing timely requested under paragraph (e) is subject to the contested case procedure under chapter 14, as modified by this subdivision. The administrative law judge must issue a report containing findings of fact, conclusions of law, and a recommended order within ten days after the completion of the hearing, the receipt of late-filed exhibits, or the submission of written arguments, whichever is later.

(i) Within five days of the date of the administrative law judge's report issued under paragraph (h), any party aggrieved by the administrative law judge's report may submit written exceptions and arguments to the commissioner. Within 15 days after receiving the administrative law judge's report, the commissioner must issue an order vacating, modifying, or making final the administrative order.

(j) The commissioner and the tax preparer requesting a hearing may by agreement lengthen any time periods prescribed in paragraphs (g) to (i).

(k) An administrative order issued under paragraph (b) is in effect until it is modified or vacated by the commissioner or an appellate court. The administrative hearing provided by paragraphs (e) to (i) and any appellate judicial review as provided in chapter 14 constitute the exclusive remedy for a tax preparer aggrieved by the order.

(l) The commissioner may impose an administrative penalty, in addition to the penalty under paragraph (a), up to \$5,000 per violation of a cease and desist order issued under paragraph (b). Imposition of a penalty under this paragraph is subject to the contested case procedure under chapter 14. Within 30 days after the commissioner imposes a penalty under this paragraph, the tax preparer assessed the penalty may request a hearing to review the penalty order. The request for hearing must be made in writing and must be served on the commissioner at the address specified in the order. The hearing request must specifically state the reasons for seeking review of the order. The cease and desist order issued under paragraph (b) is not subject to review in a proceeding to challenge the penalty order under this paragraph. The date on which a request for hearing is served by mail is the postmark date on the envelope in which the request for hearing is mailed. If the tax preparer does not timely request a hearing, the penalty order becomes a final order of the commissioner and is not subject to review by any court or agency. A penalty imposed by the commissioner under this paragraph may be collected and enforced by the commissioner as an income tax liability. There is no right to make a claim for refund under section 289A.50 of the penalty imposed under this paragraph. A penalty imposed under this paragraph is public data.

(m) If a tax preparer violates a cease and desist order issued under paragraph (b), the commissioner may terminate the tax preparer's authority to transmit returns electronically to the state. Termination under this paragraph is public data.

(n) A cease and desist order issued under paragraph (b) is public data when it is a final order.

(o) Notwithstanding any other law, the commissioner may impose a penalty or take other action under this subdivision against a tax preparer, with respect to a return, within the period to assess tax on that return as provided by ~~section~~ sections 289A.38 to 289A.384.

(p) Notwithstanding any other law, the imposition of a penalty or any other action against a tax preparer under this subdivision, other than with respect to a return, must be taken by the commissioner within five years of the violation of statute.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 2. Minnesota Statutes 2017 Supplement, section 289A.31, subdivision 1, is amended to read:

Subdivision 1. **Individual income, fiduciary income, mining company, corporate franchise, and entertainment taxes.** (a) Individual income, fiduciary income, mining company, and corporate franchise taxes, and interest and penalties, must be paid by the taxpayer upon whom the tax is imposed, except in the following cases:

(1) the tax due from a decedent for that part of the taxable year in which the decedent died during which the decedent was alive and the taxes, interest, and penalty due for the prior years must be paid by the decedent's personal representative, if any. If there is no personal representative, the taxes, interest, and penalty must be paid by the transferees, as defined in section 270C.58, subdivision 3, to the extent they receive property from the decedent;

(2) the tax due from an infant or other incompetent person must be paid by the person's guardian or other person authorized or permitted by law to act for the person;

(3) the tax due from the estate of a decedent must be paid by the estate's personal representative;

(4) the tax due from a trust, including those within the definition of a corporation, as defined in section 290.01, subdivision 4, must be paid by a trustee; and

(5) the tax due from a taxpayer whose business or property is in charge of a receiver, trustee in bankruptcy, assignee, or other conservator, must be paid by the person in charge of the business or property so far as the tax is due to the income from the business or property.

(b) Entertainment taxes are the joint and several liability of the entertainer and the entertainment entity. The payor is liable to the state for the payment of the tax required to be deducted and withheld under section 290.9201, subdivision 7, and is not liable to the entertainer for the amount of the payment.

(c) The taxes imposed under sections 289A.35, paragraph (b), 289A.383, subdivision 3, and 290.0922 on partnerships are the joint and several liability of the partnership and the general partners.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 3. Minnesota Statutes 2017 Supplement, section 289A.37, subdivision 2, is amended to read:

Subd. 2. **Erroneous refunds.** (a) Except as provided in paragraph (b), an erroneous refund occurs when the commissioner issues a payment to a person that exceeds the amount the person is entitled to receive under law. An erroneous refund is considered an underpayment of tax on the date issued.

(b) To the extent that the amount paid does not exceed the amount claimed by the taxpayer, an erroneous refund does not include the following:

(1) any amount of a refund or credit paid pursuant to a claim for refund filed by a taxpayer, including but not limited to refunds of claims made under section 290.06, subdivision 23; 290.067; 290.0671; 290.0672; 290.0674; 290.0675; 290.0677; 290.068; 290.0681; or 290.0692; or chapter 290A; or

(2) any amount paid pursuant to a claim for refund of an overpayment of tax filed by a taxpayer.

(c) The commissioner may make an assessment to recover an erroneous refund at any time within two years from the issuance of the erroneous refund. If all or part of the erroneous refund was induced by fraud or misrepresentation of a material fact, the assessment may be made at any time.

(d) Assessments of amounts that are not erroneous refunds under paragraph (b) must be conducted under ~~section~~ sections 289A.38 to 289A.384.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 4. Minnesota Statutes 2016, section 289A.38, subdivision 10, is amended to read:

Subd. 10. **Incorrect determination of federal adjusted gross income.** Notwithstanding any other provision of this chapter, if a taxpayer whose net income is determined under section 290.01, subdivision 19, omits from income an amount that will under the Internal Revenue Code extend the statute of limitations for the assessment of federal income taxes, or otherwise incorrectly determines the taxpayer's federal adjusted gross income resulting in adjustments by the Internal Revenue Service, then the period of assessment and determination of tax will be that under the Internal Revenue Code. When a change is made to federal income during the extended time provided under this subdivision, the provisions under ~~subdivisions 7 to 9~~ sections 289A.381 to 289A.384 regarding additional extensions apply.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 5. **[289A.381] DEFINITIONS; PARTNERSHIPS; FEDERAL ADJUSTMENTS.**

Subdivision 1. **Definitions relating to federal adjustments.** Unless otherwise specified, the definitions in this section apply for the purposes of sections 289A.381 to 289A.385.

Subd. 2. **Administrative adjustment request.** "Administrative adjustment request" means an administrative adjustment request filed by a partnership under section 6227 of the Internal Revenue Code.

Subd. 3. **Audited partnership.** "Audited partnership" means a partnership subject to a federal adjustment resulting from a partnership-level audit.

Subd. 4. **Corporate partner.** "Corporate partner" means a partner that is subject to tax under section 290.02.

Subd. 5. **Direct partner.** "Direct partner" means a partner that holds an immediate legal ownership interest in a partnership or pass-through entity.

Subd. 6. **Exempt partner.** "Exempt partner" means a partner that is exempt from taxes on its net income under section 290.05, subdivision 1.

Subd. 7. **Federal adjustment.** "Federal adjustment" means any change in an amount calculated under the Internal Revenue Code, whether to income, gross estate, a credit, an item of preference, or any other item that is used by a taxpayer to compute a tax administered under this chapter for the reviewed year whether that change results from action by the Internal Revenue Service or other competent authority, including a partnership-level audit, or the filing of an amended federal return, federal refund claim, or an administrative adjustment request by the taxpayer.

Subd. 8. **Federal adjustments report.** "Federal adjustments report" includes a method or form prescribed by the commissioner for use by a taxpayer to report federal adjustments, including an amended Minnesota tax return or a uniform multistate report.

Subd. 9. **Federal partnership representative.** "Federal partnership representative" means the person the partnership designates for the taxable year as the partnership's representative, or the person the Internal Revenue Service has appointed to act as the partnership representative, pursuant to section 6223(a) of the Internal Revenue Code.

Subd. 10. **Final determination date.** (a) "Final determination date" means:

(1) for a federal adjustment arising from an audit by the Internal Revenue Service or other competent authority, the first day on which no federal adjustment arising from that audit remains to be finally determined, whether by agreement, or, if appealed or contested, by a final decision with respect to which all rights of appeal have been waived or exhausted;

(2) for a federal adjustment arising from the filing of an amended federal return, a federal refund claim, or the filing by a partnership of an administrative adjustment request, the day which the amended return, refund claim, or administrative adjustment request was filed; or

(3) for agreements required to be signed by the Internal Revenue Service and the taxpayer, the date on which the last party signed the agreement.

Subd. 11. **Final federal adjustment.** "Final federal adjustment" means a federal adjustment for which the final determination date for that federal adjustment has passed.

Subd. 12. **Indirect partner.** "Indirect partner" means either:

(1) a partner in a partnership or pass-through entity that itself holds an immediate legal ownership interest in another partnership or pass-through entity; or

(2) a partner in a partnership or pass-through entity that holds an indirect interest in another partnership or pass-through entity through another indirect partner.

Subd. 13. **Partner.** "Partner" means a person that holds an interest directly or indirectly in a partnership or other pass-through entity.

Subd. 14. **Partnership.** The term "partnership" has the meaning provided under section 7701(a)(2) of the Internal Revenue Code.

Subd. 15. **Partnership-level audit.** "Partnership-level audit" means an examination by the Internal Revenue Service at the partnership level pursuant to subtitle F, chapter 63, subchapter C, of the Internal Revenue Code, which results in federal adjustments including reallocation adjustments and adjustments to partnership-related items.

Subd. 16. **Pass-through entity.** "Pass-through entity" means an entity, other than a partnership, that is not subject to the tax imposed under section 290.02. The term pass-through entity includes but is not limited to S corporations, estates, and trusts other than grantor trusts.

Subd. 17. **Reallocation adjustment.** "Reallocation adjustment" means a federal adjustment, or final federal adjustment, that changes the shares of items of partnership income, gain, loss, expense, or credit allocated to partners. The term positive reallocation adjustment means reallocation adjustments that would increase state taxable income for partners, and the term negative reallocation adjustment means reallocation adjustments that would decrease state taxable income for partners.

Subd. 18. **Resident partner.** "Resident partner" means an individual partner or individual indirect partner who is a resident of Minnesota under section 290.01, subdivision 7.

Subd. 19. **Reviewed year.** "Reviewed year" means the taxable year of a partnership that is subject to a partnership-level audit from which federal adjustments arise.

Subd. 20. **Tiered partner.** "Tiered partner" means any partner that is a partnership or pass-through entity.

Subd. 21. **Unrelated business taxable income.** "Unrelated business taxable income" has the same meaning as defined in section 512 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 6. **[289A.382] REPORTING FEDERAL ADJUSTMENTS; GENERAL RULE.**

(a) Within 180 days of a final determination date, a taxpayer must file a federal adjustment report with the commissioner reporting all final federal adjustments by the Internal Revenue Service or other competent authority.

(b) Within 180 days of a final determination date, a taxpayer must file a federal adjustment report with the commissioner reporting any federal adjustments reported by the taxpayer to the Internal Revenue Service, including but not limited to:

(1) federal refund claims;

(2) a change reported on a timely filed amended federal income tax return; and

(3) a change reported on an amended return filed pursuant to section 6225(c) of the Internal Revenue Code.

(c) In the case of a final federal adjustment arising from a partnership-level audit or an administrative adjustment request filed by a partnership under section 6227 of the Internal Revenue Code, a taxpayer must report adjustments as provided for under section 289A.383, and not this section.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 7. **[289A.383] REPORTING AND PAYMENT REQUIREMENTS.**

Subdivision 1. **State partnership representative.** (a) With respect to an action required or permitted to be taken by a partnership under this section, or in a proceeding under section 270C.35 or 271.06, the state partnership representative for the reviewed year shall have the sole authority to act on behalf of the partnership, and its direct partners and indirect partners shall be bound by those actions.

(b) The state partnership representative for the reviewed year is the partnership's federal partnership representative unless the partnership, in a form and manner prescribed by the commissioner, designates another person as its state partnership representative.

Subd. 2. **Reporting and payment requirements for partnerships and tiered partners.** (a) Unless an audited partnership makes the election in subdivision 3, then, for all final federal adjustments the audited partnership must comply with paragraph (b) and each direct partner of the audited partnership, other than a tiered partner, must comply with paragraph (c).

(b) No later than 90 days after the final determination date, the audited partnership must:

(1) file a completed federal adjustment report, including all partner-level information required under section 289A.12, subdivision 3, with the commissioner;

(2) notify each of its direct partners of their distributive share of the adjustments;

(3) file an amended composite report for all direct partners who were included in a composite return under section 289A.08, subdivision 7, in the reviewed year, and pay the additional amount that would have been due had the federal adjustments been reported properly as required; and

(4) file amended withholding reports for all direct partners who were or should have been subject to nonresident withholding under section 290.92, subdivision 4b, in the reviewed year, and pay the additional amount that would have been due had the federal adjustments been reported properly as required.

(c) No later than 180 days after the final determination date, each direct partner, other than a tiered partner, that is subject to a tax administered under this chapter, other than the sales tax, must:

(1) file a federal adjustment report reporting their distributive share of the adjustments reported to them under paragraph (b), clause (2); and

(2) pay any additional amount of tax due as if the final federal adjustment had been properly reported, plus any penalty and interest due under this chapter, and less any credit for related amounts paid or withheld and remitted on behalf of the direct partner under paragraph (b), clauses (3) and (4).

Subd. 3. Election; partnership or tiered partners pay. (a) An audited partnership may make an election under this subdivision to pay its assessment at the entity level. If an audited partnership makes an election to pay its assessment at the entity level it must:

(1) no later than 90 days after the final determination date, file a completed federal adjustment report, including the residency information for all individual partners, both direct and indirect, and information pertaining to all other partners as prescribed by the commissioner, and notify the commissioner that it is making the election under this subdivision; and

(2) no later than 180 days after the final determination date, pay an amount, determined as follows, in lieu of taxes on partners:

(i) exclude from final federal adjustments and any positive reallocation adjustments the distributive share of these adjustments made to an exempt partner that is not unrelated business taxable income;

(ii) exclude from final federal adjustments and any positive reallocation adjustments the distributive share of these adjustments made to a partner that has filed a federal adjustment report and paid the applicable tax, as required under subdivision 2, for the distributive share of adjustments reported on a federal return under section 6225(c) of the Internal Revenue Code;

(iii) allocate at the partner level using section 290.17, subdivision 1, all final federal adjustments and positive reallocation adjustments attributable to resident partners, both direct and indirect, for the reviewed year;

(iv) allocate and apportion at the partnership level using sections 290.17 to 290.20 all remaining final federal adjustments and positive reallocation adjustments for the reviewed year;

(v) determine the total distributive share of the allocated and apportioned final federal adjustments and positive reallocation adjustments determined in items (iii) and (iv) that are attributable to:

(A) resident partners;

(B) corporate partners and exempt partners; and

(C) the total distributive share amount allocated to all other partners;

(vi) for the total distributive share of net final federal adjustments plus positive reallocation adjustments attributed to corporate partners and exempt partners under item (v), subitem (B), multiply the total by the highest tax rate in section 290.06, subdivision 1, for the reviewed year, and calculate interest and penalties as applicable under this chapter;

(vii) for the total distributive share of net final federal adjustments plus positive reallocation adjustments attributable to resident partners, and all other partners under item (v), subitems (A) and (C), multiply the total by the highest tax rate in section 290.06, subdivision 2c, for the reviewed year, and calculate interest and penalties as applicable under this chapter; and

(viii) add the amount determined in item (vi) to the amount determined in item (vii), and pay all applicable taxes, penalties, and interest to the commissioner.

(b) An audited partnership may not make an election under this subdivision to report:

(1) a federal adjustment, including a positive reallocation adjustment, that results in unitary business income to a corporate partner required to file as a member of a combined report under section 290.17, subdivision 4; or

(2) any final federal adjustments resulting from an administrative adjustment request.

Subd. 4. Tiered partners and indirect partners. (a) Each tiered partner and each indirect partner of an audited partnership that reported final federal adjustments pursuant to subdivision 2, paragraph (b), clause (1), or this subdivision, must:

(1) within 90 days of the report comply with the filing, reporting, and payment requirements of subdivision 2, paragraph (b); or

(2) make the election under subdivision 3 as though it were the audited partnership.

(b) Each direct partner in a partnership making a report under paragraph (a) must, within 180 days of the report, comply with the filing, reporting, and payment requirements of subdivision 2, paragraph (c).

(c) Notwithstanding the interim time requirements in this subdivision and subdivisions 2 and 3, all reports and payments required to be made by the tiered and indirect partners under this section are required to be made within 90 days after the time for the filing and furnishing of statements to tiered partners and their partners as established by the Internal Revenue Service under section 6226 of the Internal Revenue Code.

Subd. 5. Effects of election by partnership or tiered partner and payment of amount due. (a) Unless the commissioner determines otherwise, the election under subdivision 3 is irrevocable.

(b) If an audited partnership or tiered partner properly reports and pays an amount determined in subdivision 3, the amount must be treated as paid in lieu of taxes owed by the partnership's direct partners on the same final federal adjustments. The direct partners and indirect partners of the partnership who are not resident partners may not take any deduction or credit for this amount or claim a refund of the amount in this state.

(c) Nothing in this subdivision precludes resident partners from claiming a credit against taxes paid under section 290.06, on any amounts paid by the audited partnership or tiered partners on the resident partner's behalf to another state or local tax jurisdiction.

Subd. 6. **Failure of partnership or tiered partner to report or pay.** Nothing in this section prevents the commissioner from assessing partners or indirect partners for taxes they owe in the event that, for any reason, a partnership or tiered partner fails to timely make any report or payment required by this section.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 8. [289A.384] ASSESSMENT OF TAX, INTEREST, PENALTIES, AND ADDITIONAL AMOUNTS.

Subdivision 1. **Assessment of additional tax, interest, and penalties.** The commissioner may assess additional tax, interest, and penalties following a final federal adjustment:

- (1) arising from an audit by the Internal Revenue Service, including a partnership-level audit;
- (2) reported by the taxpayer on an amended federal tax return; or
- (3) as part of an administrative adjustment request on or before the dates provided in this section.

Subd. 2. **Timely and untimely reported federal adjustments.** If a taxpayer files a federal adjustment report, within or after the periods prescribed in section 289A.382 or 289A.383, the commissioner may assess additional Minnesota amounts related to the federal adjustments including in-lieu-of amounts, taxes, interest, and penalties at the later of:

- (1) the expiration of the period of limitations in section 289A.38; or
- (2) the expiration of the one-year period following the date of the filing with the commissioner of the federal adjustments report.

Subd. 3. **Unreported reported federal adjustments.** If the taxpayer fails to file a federal adjustments report, the commissioner may assess additional amounts related to the federal adjustments including in-lieu-of amounts, taxes, penalties, and interest, at the later of:

- (1) the expiration of the period of limitations in section 289A.38; or
- (2) the expiration of the six-year period following the final determination date.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 9. [289A.385] CLAIMS FOR REFUND OR CREDITS OF STATE TAX ARISING FROM FINAL FEDERAL ADJUSTMENTS MADE BY THE INTERNAL REVENUE SERVICE.

Notwithstanding the general period of limitations on claims for refund in section 289A.40, taxpayers subject to the reporting requirements of sections 289A.382 and 289A.383 may file claims for refund related to federal adjustments made by the Internal Revenue Service on or before the last day for the assessment of tax under section 289A.384.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 10. Minnesota Statutes 2016, section 289A.42, is amended to read:

289A.42 CONSENT TO EXTEND STATUTE.

Subdivision 1. **Extension agreement.** If before the expiration of time prescribed in sections 289A.38 to 289A.384 and 289A.40 for the assessment of tax or the filing of a claim for refund, both the commissioner and the taxpayer have consented in writing to the assessment or filing of a claim for refund after that time, the tax may be assessed or the claim for refund filed at any time before the expiration of the agreed-upon period. The period may be extended by later agreements in writing before the expiration of the period previously agreed upon. The taxpayer and the commissioner may also agree to extend the period for collection of the tax.

Subd. 2. **Federal extensions.** When a taxpayer consents to an extension of time for the assessment of federal withholding or income taxes, the period in which the commissioner may recompute the tax is also extended, notwithstanding any period of limitations to the contrary, as follows:

(1) for the periods provided in section ~~289A.38, subdivisions 8 and 9~~ 289A.384, subdivisions 2 and 3;

(2) for six months following the expiration of the extended federal period of limitations when no change is made by the federal authority. ~~If no change is made by the federal authority, and, but for this subdivision, the commissioner's time period to adjust the tax has expired, and if the commissioner has completed a field audit of the taxpayer, no additional changes resulting in additional tax due or a refund may be made. For purposes of this subdivision, "field audit" has the meaning given it in section 289A.38, subdivision 9.~~

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 11. Minnesota Statutes 2016, section 289A.60, subdivision 24, is amended to read:

Subd. 24. **Penalty for failure to notify of federal change.** If a person fails to report to the commissioner a change or correction of the person's federal return in the manner and time prescribed in ~~section 289A.38, subdivision 7~~ sections 289A.382 and 289A.383, there must be added to the tax an amount equal to ten percent of the amount of any underpayment of Minnesota tax attributable to the federal change.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 12. Minnesota Statutes 2017 Supplement, section 290.31, subdivision 1, is amended to read:

Subdivision 1. **Partners, not partnership, subject to tax.** Except as provided under ~~section~~ sections 289A.35, paragraph (b), and 289A.383, subdivision 3, a partnership as such shall not be subject to the income tax imposed by this chapter, but is subject to the tax imposed under section 290.0922. Persons carrying on business as partners shall be liable for income tax only in their separate or individual capacities.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 13. Minnesota Statutes 2016, section 297F.17, subdivision 6, is amended to read:

Subd. 6. **Time limit for bad debt refund.** Claims for refund must be filed with the commissioner during the one-year period beginning with the timely filing of the taxpayer's federal income tax return containing the bad debt deduction that is being claimed. Claimants under this subdivision are subject to the notice requirements of ~~section 289A.38, subdivision 7~~ sections 289A.382 and 289A.383.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 14. Minnesota Statutes 2016, section 297G.16, subdivision 7, is amended to read:

Subd. 7. **Time limit for a bad debt deduction.** Claims for refund must be filed with the commissioner within one year of the filing of the taxpayer's income tax return containing the bad debt deduction that is being claimed. Claimants under this subdivision are subject to the notice requirements of ~~section 289A.38, subdivision 7~~ sections 289A.38 to 289A.384.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 15. Minnesota Statutes 2016, section 469.319, subdivision 4, is amended to read:

Subd. 4. **Repayment procedures.** (a) For the repayment of taxes imposed under chapter 290 or 297A or local taxes collected pursuant to section 297A.99, a business must file an amended return with the commissioner of revenue and pay any taxes required to be repaid within 30 days after becoming subject to repayment under this section. The amount required to be repaid is determined by calculating the tax for the period or periods for which repayment is required without regard to the exemptions and credits allowed under section 469.315.

(b) For the repayment of taxes imposed under chapter 297B, a business must pay any taxes required to be repaid to the motor vehicle registrar, as agent for the commissioner of revenue, within 30 days after becoming subject to repayment under this section.

(c) For the repayment of property taxes, the county auditor shall prepare a tax statement for the business, applying the applicable tax extension rates for each payable year and provide a copy to the business and to the taxpayer of record. The business must pay the taxes to the county treasurer within 30 days after receipt of the tax statement. The business or the taxpayer of record may appeal the valuation and determination of the property tax to the Tax Court within 30 days after receipt of the tax statement.

(d) The provisions of chapters 270C and 289A relating to the commissioner's authority to audit, assess, and collect the tax and to hear appeals are applicable to the repayment required under paragraphs (a) and (b). The commissioner may impose civil penalties as provided in chapter 289A, and the additional tax and penalties are subject to interest at the rate provided in section 270C.40. The additional tax shall bear interest from 30 days after becoming subject to repayment under this section until the date the tax is paid. Any penalty imposed pursuant to this section shall bear interest from the date provided in section 270C.40, subdivision 3, to the date of payment of the penalty.

(e) If a property tax is not repaid under paragraph (c), the county treasurer shall add the amount required to be repaid to the property taxes assessed against the property for payment in the year following the year in which the auditor provided the statement under paragraph (c).

(f) For determining the tax required to be repaid, a reduction of a state or local sales or use tax is deemed to have been received on the date that the good or service was purchased or first put to a taxable use. In the case of an income tax or franchise tax, including the credit payable under section 469.318, a reduction of tax is deemed to have been received for the two most recent tax years that have ended prior to the date that the business became subject to repayment under this section. In the case of a property tax, a reduction of tax is deemed to have been received for the taxes payable in the year that the business became subject to repayment under this section and for the taxes payable in the prior year.

(g) The commissioner may assess the repayment of taxes under paragraph (d) any time within two years after the business becomes subject to repayment under subdivision 1, or within any period of limitations for the assessment of tax under ~~section 289A.38~~ sections 289A.38 to 289A.384, whichever period is later. The county auditor may send the statement under paragraph (c) any time within three years after the business becomes subject to repayment under subdivision 1.

(h) A business is not entitled to any income tax or franchise tax benefits, including refundable credits, for any part of the year in which the business becomes subject to repayment under this section nor for any year thereafter. Property is not exempt from tax under section 272.02, subdivision 64, for any taxes payable in the year following the year in which the property became subject to repayment under this section nor for any year thereafter. A business is not eligible for any sales tax benefits beginning with goods or services purchased or first put to a taxable use on the day that the business becomes subject to repayment under this section.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 16. **REPEALER.**

Minnesota Statutes 2016, section 289A.38, subdivisions 7, 8, and 9, are repealed.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

ARTICLE 11
DEPARTMENT OF REVENUE; INDIVIDUAL INCOME AND
CORPORATE FRANCHISE TAXES; TECHNICAL CHANGES

Section 1. Minnesota Statutes 2017 Supplement, section 290.0137, is amended to read:

290.0137 ACCELERATED RECOGNITION OF CERTAIN INSTALLMENT SALE GAINS.

(a) In the case of a nonresident individual or a person who becomes a nonresident individual during the tax year, taxable net income shall include the ~~allocable~~ amount realized upon a sale of the assets of, or any interest in, an S corporation or partnership that operated in Minnesota during the year of sale, including any income or gain to be recognized in future years pursuant to an installment sale method of reporting under the Internal Revenue Code.

(1) For the purposes of this paragraph, an individual who becomes a nonresident of Minnesota in any year after an installment sale is required to recognize the full amount of any income or gain described in this paragraph on the individual's final Minnesota resident tax return to the extent that such income has not been recognized in a prior year.

(2) For the purposes of this section, "realized" has the meaning given in section 1001(b) of the Internal Revenue Code.

(3) For the purposes of this section, "installment sale" means any installment sale under section 453 of the Internal Revenue Code and any other sale that is reported utilizing a method of accounting authorized under subchapter E of the Internal Revenue Code that allows taxpayers to delay reporting or recognizing a realized gain until a future year.

~~(4) For the purposes of this section, "allocable amount" means the full amount to be apportioned to Minnesota under section 290.191 or 290.20, or the full amount to be assigned to Minnesota under section 290.17.~~

(b) Notwithstanding paragraph (a), nonresident taxpayers may elect to defer recognizing unrecognized installment sale gains by making an election under this paragraph. The election must be filed on a form to be determined or prescribed by the commissioner and must be filed by the due date of the individual income tax return, including any extension. Electing taxpayers must make an irrevocable agreement to:

(1) file Minnesota tax returns in all subsequent years when gains from the installment sales are recognized and reported to the Internal Revenue Service;

(2) allocate gains to the state of Minnesota as though the gains were realized in the year of sale under section 290.17, 290.191, or 290.20; and

(3) include all relevant federal tax documents reporting the installment sale with subsequent Minnesota tax returns.

(c) Income or gain recognized for Minnesota purposes pursuant to paragraph (a) must be excluded from taxable net income in any future year that the taxpayer files a Minnesota tax return to the extent that the income or gain has already been subject to tax pursuant to paragraph (a).

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

Sec. 2. Minnesota Statutes 2016, section 290.06, subdivision 2c, is amended to read:

Subd. 2c. **Schedules of rates for individuals, estates, and trusts.** (a) The income taxes imposed by this chapter upon married individuals filing joint returns and surviving spouses as defined in section 2(a) of the Internal Revenue Code must be computed by applying to their taxable net income the following schedule of rates:

- (1) On the first \$35,480, 5.35 percent;
- (2) On all over \$35,480, but not over \$140,960, 7.05 percent;
- (3) On all over \$140,960, but not over \$250,000, 7.85 percent;
- (4) On all over \$250,000, 9.85 percent.

Married individuals filing separate returns, estates, and trusts must compute their income tax by applying the above rates to their taxable income, except that the income brackets will be one-half of the above amounts after the adjustment required in subdivision 2d.

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

- (1) On the first \$24,270, 5.35 percent;

- (2) On all over \$24,270, but not over \$79,730, 7.05 percent;
- (3) On all over \$79,730, but not over \$150,000, 7.85 percent;
- (4) On all over \$150,000, 9.85 percent.

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

- (1) On the first \$29,880, 5.35 percent;
- (2) On all over \$29,880, but not over \$120,070, 7.05 percent;
- (3) On all over \$120,070, but not over \$200,000, 7.85 percent;
- (4) On all over \$200,000, 9.85 percent.

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

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

(1) the numerator is the individual's Minnesota source federal adjusted gross income as defined in section 62 of the Internal Revenue Code and increased by:

(i) the additions required under ~~section~~ sections 290.0131, subdivisions 2 and 6 to 11, and 290.0137, paragraph (a); and reduced by

(ii) the Minnesota assignable portion of the subtraction for United States government interest under section 290.0132, subdivision 2, ~~and the subtractions under section~~ sections 290.0132, subdivisions 9, 10, 14, 15, 17, and 18, and 290.0137, paragraph (c), after applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

(2) the denominator is the individual's federal adjusted gross income as defined in section 62 of the Internal Revenue Code, increased by:

(i) the ~~amounts specified in section~~ additions required under sections 290.0131, subdivisions 2 and 6 to 11, and 290.0137, paragraph (a); and reduced by

(ii) the ~~amounts specified in section~~ subtractions under sections 290.0132, subdivisions 2, 9, 10, 14, 15, 17, and 18, and 290.0137, paragraph (c).

EFFECTIVE DATE. The amendment to paragraph (a) is effective for taxable years beginning after December 31, 2017. The amendment to paragraph (e) is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2016, section 290.06, subdivision 2d, is amended to read:

Subd. 2d. **Inflation adjustment of brackets.** (a) For taxable years beginning after December 31, 2013, the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage determined under paragraph (b). For the purpose of making the adjustment as provided in this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets as they existed for taxable years beginning after December 31, 2012, and before January 1, 2014. The rate applicable to any rate bracket must not be changed. The dollar amounts setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in \$5, it must be rounded up to the nearest \$10 amount.

(b) The commissioner shall adjust the rate brackets and by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "2012" shall be substituted for the word "1992." For 2014, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2012, to the 12 months ending on August 31, 2013, and in each subsequent year, from the 12 months ending on August 31, 2012, to the 12 months ending on August 31 of the year preceding the taxable year. The commissioner shall determine the rate bracket for married filing separate returns after this adjustment is done. The rate bracket for married filing separate must be one-half of the rate bracket for married filing joint. The determination of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14.

No later than December 15 of each year, the commissioner shall announce the specific percentage that will be used to adjust the tax rate brackets.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 4. Minnesota Statutes 2016, section 290.92, subdivision 28, is amended to read:

Subd. 28. **Payments to horse racing license holders.** Effective with payments made after April 1, 1988, any holder of a license issued by the Minnesota Racing Commission who makes a payment for personal or professional services to a holder of a class C license issued by the commission, except an amount paid as a purse, shall deduct from the payment and withhold 6.25 percent of the amount as Minnesota withholding tax when the amount paid to that individual by the same person during the calendar year exceeds \$600. For purposes of the provisions of this section, a payment to any person which is subject to withholding under this subdivision must be treated as if the payment was a wage paid by an employer to an employee. Every individual who is to receive a payment which is subject to withholding under this subdivision shall furnish the license holder with a statement, made under the penalties of perjury, containing the name, address, and Social Security account number of the person receiving the payment. No withholding is required if the individual presents a signed certificate from the individual's employer which states that the individual is an employee of that employer. A nonresident individual who holds a class C license must be treated as an athlete for purposes of applying the provisions of subdivision 4a and section 290.17, subdivision 2(1)(b)(ii) (a)(2)(ii).

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

Sec. 5. Minnesota Statutes 2017 Supplement, section 462D.03, subdivision 2, is amended to read:

Subd. 2. **Designation of qualified beneficiary.** (a) The account holder must designate a first-time home buyer as the qualified beneficiary of the account by April 15 of the year in a form and manner prescribed by the commissioner following the taxable year in which the account was established. The account holder may be the qualified beneficiary. The account holder may change the designated qualified beneficiary at any time, but no more than one qualified beneficiary may be designated for an account at any one time. For purposes of the one beneficiary restriction, a married couple qualifies as one beneficiary. Changing the designated qualified beneficiary of an account does not affect computation of the ten-year period under section 462D.06, subdivision 2.

(b) The commissioner shall establish a process for account holders to notify the state that permits recording of the account, the account holder or holders, any transfers under section 462D.04, subdivision 2, and the designated qualified beneficiary for each account. This may be done upon filing the account holder's income tax return or in any other way the commissioner determines to be appropriate.

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

ARTICLE 12
DEPARTMENT OF REVENUE; SALES AND USE TAXES; TECHNICAL CHANGES

Section 1. Minnesota Statutes 2016, section 297A.68, subdivision 17, is amended to read:

Subd. 17. **Ships used in interstate commerce; other vessels.** Repair, replacement, and rebuilding parts and materials, and lubricants, for the following are exempt:

(1) ships or vessels used or to be used principally in interstate or foreign commerce ~~are exempt; and~~

(2) vessels with a gross registered tonnage of at least 3,000 tons ~~are exempt.~~

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

Sec. 2. Minnesota Statutes 2016, section 297A.68, subdivision 44, is amended to read:

Subd. 44. **Greater Minnesota business expansions.** (a) Purchases and use of tangible personal property or taxable services by a qualified business, ~~as defined in section 116J.8738,~~ are exempt if:

(1) the commissioner of employment and economic development certifies to the commissioner of revenue, in a format approved by the commissioner of revenue, that the qualified business meets the requirements under section 116J.8738;

(2) the business subsidy agreement provides that the exemption under this subdivision applies;

~~(3)~~ (3) the property or services are primarily used or consumed at the facility in greater Minnesota identified in the business subsidy agreement; and

~~(4)~~ (4) the purchase was made and delivery received during the duration of the ~~certification of the business as a qualified business under section 116J.8738~~ business subsidy agreement.

(b) Purchase and use of construction materials and supplies used or consumed in, and equipment incorporated into, the construction of improvements to real property in greater Minnesota are exempt if the improvements after completion of construction are to be used in the conduct of the trade or business of the qualified business, ~~as defined in section 116J.8738~~ and the commissioner of employment and economic development certifies to the commissioner of revenue, in a format approved by the commissioner of revenue, that the qualified business meets the requirements under section 116J.8738. This exemption applies regardless of whether the purchases are made by the business or a contractor.

(c) The exemptions under this subdivision apply to a local sales and use tax.

(d) The tax on purchases imposed under this subdivision must be imposed and collected as if the rate under section 297A.62 applied, and then refunded in the manner provided in section 297A.75. The total amount refunded for a facility over the certification period is limited to the amount listed in the business subsidy agreement. No more

than \$7,000,000 may be refunded in a fiscal year for all purchases under this subdivision. Refunds must be allocated on a first-come, first-served basis. If more than \$7,000,000 of eligible claims are made in a fiscal year, claims by qualified businesses carry over to the next fiscal year, and the commissioner of revenue must first allocate refunds to qualified businesses eligible for a refund in the preceding fiscal year. Any portion of the balance of funds allocated for refunds under this paragraph does not cancel and shall be carried forward to and available for refunds in subsequent fiscal years. Notwithstanding section 297A.75, subdivision 4, for an eligible refund claim that carries over to a subsequent fiscal year, the interest on the amount carried over must be paid on the refund no sooner than from 90 days after July 1 of the fiscal year in which funds are available for the eligible claim.

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

Sec. 3. Minnesota Statutes 2016, section 297A.71, subdivision 45, is amended to read:

Subd. 45. **Biopharmaceutical manufacturing facility.** (a) Materials and supplies used or consumed in, capital equipment incorporated into, and privately owned infrastructure in support of the construction, improvement, or expansion of a biopharmaceutical manufacturing facility in the state are exempt if the commissioner of employment and economic development certifies to the commissioner of revenue that the following criteria are met:

- (1) the facility is used for the manufacturing of biologics;
 - (2) the total capital investment made at the facility exceeds \$50,000,000; and
 - (3) the facility creates and maintains at least 190 full-time equivalent positions at the facility. These positions must be new jobs in Minnesota and not the result of relocating jobs that currently exist in Minnesota.
- (b) The tax must be imposed and collected as if the rate under section 297A.62 applied, and refunded in the manner provided in section 297A.75.
- (c) To be eligible for a refund, the owner of the biopharmaceutical manufacturing facility must:
- (1) initially apply to the ~~Department~~ commissioner of employment and economic development for certification no later than one year from the final completion date of construction, improvement, or expansion of the facility; and
 - (2) for each year that the owner of the biopharmaceutical manufacturing facility applies for a refund, the ~~owner~~ commissioner must have received written certification from the ~~Department~~ commissioner of employment and economic development that the facility has met the criteria of paragraph (a).
- (d) The refund is to be paid annually at a rate of 25 percent of the total allowable refund payable to date, with the commissioner making annual payments of the remaining refund until all of the refund has been paid.
- (e) For purposes of this subdivision, "biopharmaceutical" and "biologics" are interchangeable and mean medical drugs or medicinal preparations produced using technology that uses biological systems, living organisms, or derivatives of living organisms to make or modify products or processes for specific use. The medical drugs or medicinal preparations include but are not limited to proteins, antibodies, nucleic acids, and vaccines.

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

Sec. 4. Minnesota Statutes 2016, section 297A.77, is amended by adding a subdivision to read:

Subd. 5. **Records must be kept.** Every person liable for any tax imposed by this chapter, or for the collection thereof, shall keep such records, render such statements, make such returns, and comply with such rules, as the commissioner may from time to time prescribe.

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

ARTICLE 13
DEPARTMENT OF REVENUE; TOBACCO TAXES;
TECHNICAL CHANGES

Section 1. Minnesota Statutes 2016, section 297F.01, subdivision 19, is amended to read:

Subd. 19. **Tobacco products.** (a) "Tobacco products" means any product containing, made, or derived from tobacco that is intended for human consumption, whether chewed, smoked, absorbed, dissolved, inhaled, snorted, sniffed, or ingested by any other means, or any component, part, or accessory of a tobacco product, including, but not limited to, cigars; cheroots; stogies; periques; granulated, plug cut, crimp cut, ready rubbed, and other smoking tobacco; snuff; snuff flour; cavendish; plug and twist tobacco; fine-cut and other chewing tobacco; shorts; refuse scraps, clippings, cuttings and sweepings of tobacco, and other kinds and forms of tobacco; but does not include cigarettes as defined in this section. Tobacco products includes vapor products. Tobacco products excludes any tobacco product that has been approved by the United States Food and Drug Administration for sale as a tobacco cessation product, as a tobacco dependence product, or for other medical purposes, and is being marketed and sold solely for such an approved purpose.

(b) Except for the imposition of tax under section 297F.05, subdivisions 3 and 4, tobacco products includes a premium cigar, as defined in subdivision 13a.

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

Sec. 2. Minnesota Statutes 2016, section 297F.01, is amended by adding a subdivision to read:

Subd. 22b. **Vapor products.** (a) "Vapor products" means any cartridge, bottle, or other package that contains nicotine made or derived from tobacco, that is in a solution that is consumed, or meant to be consumed, through the use of a heating element, power source, electronic circuit, or other electronic, chemical, or mechanical means that produces vapor from the nicotine. This paragraph expires December 31, 2018.

(b) Beginning January 1, 2019, "vapor products" means any cartridge, bottle, or other package that contains nicotine, including nicotine produced from sources other than tobacco, that is in a solution that is consumed, or meant to be consumed, through the use of a heating element, power source, electronic circuit, or other electronic, chemical, or mechanical means that produces vapor from the nicotine.

(c) Vapor products includes any electronic cigarette, electronic cigar, electronic cigarillo, electronic pipe, or similar product or device, and any batteries, heating elements, or other components, parts, or accessories sold with and meant to be used in the consumption of the nicotine solution.

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

Sec. 3. Minnesota Statutes 2016, section 297F.01, subdivision 23, is amended to read:

Subd. 23. **Wholesale sales price.** "Wholesale sales price" means the price at which a distributor purchases a tobacco product. Wholesale sales price includes the applicable federal excise tax, freight charges, or packaging costs, regardless of whether they were included in the purchase price. Wholesale sales price of a vapor product does not include the cost of a product, device, component, part, or accessory described in subdivision 22b that is sold with a nicotine solution if the distributor sells the cartridge of nicotine solution separately and can isolate the cost of the product, device, component, part, or accessory.

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

ARTICLE 14
DEPARTMENT OF REVENUE; PROPERTY TAXES; TECHNICAL CHANGES

Section 1. Minnesota Statutes 2016, section 270C.85, subdivision 2, is amended to read:

Subd. 2. **Powers and duties.** The commissioner shall have and exercise the following powers and duties in administering the property tax laws:

~~(a)~~ (1) confer with, advise, and give the necessary instructions and directions to local assessors and local boards of review throughout the state as to their duties under the laws of the state;

~~(b)~~ (2) direct proceedings, actions, and prosecutions to be instituted to enforce the laws relating to the liability and punishment of public officers and officers and agents of corporations for failure or negligence to comply with the provisions of the property tax laws, and cause complaints to be made against local assessors, members of boards of equalization, members of boards of review, or any other assessing or taxing officer, to the proper authority, for their removal from office for misconduct or negligence of duty;

~~(c)~~ (3) require county attorneys to assist in the commencement of prosecutions in actions or proceedings for removal, forfeiture, and punishment, for violation of the property tax laws in their respective districts or counties;

~~(d)~~ (4) require town, city, county, and other public officers to report and certify information, at the parcel level or in the aggregate, as to the assessment and taxation of real and personal property, and such other information as may be needful in the work of the commissioner, in such form as the commissioner may prescribe. The commissioner shall prescribe the content, format, manner, and time of filing of all required reports and certifications;

~~(e)~~ (5) transmit to the governor, on or before the third Monday in December of each even-numbered year, and to each member of the legislature, on or before November 15 of each even-numbered year, the report of the department for the preceding years, showing all the taxable property subject to the property tax laws and the value of the same, in tabulated form;

~~(f)~~ (6) inquire into the methods of assessment and taxation and ascertain whether the assessors faithfully discharge their duties; and

~~(g)~~ (7) assist local assessors in determining the estimated market value of industrial special-use property. For purposes of this ~~paragraph~~ clause, "industrial special-use property" means property that:

~~(1)~~ (i) is designed and equipped for a particular type of industry;

~~(2)~~ (ii) is not easily adapted to some other use due to the unique nature of the facilities;

(3) (iii) has facilities totaling at least 75,000 square feet in size; and

(4) (iv) has a total estimated market value of \$10,000,000 or greater based on the assessor's preliminary determination.

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

Sec. 2. Minnesota Statutes 2017 Supplement, section 270C.89, subdivision 1, is amended to read:

Subdivision 1. **Initial report.** Each county assessor shall file ~~by April 1~~ with the commissioner a copy of ~~the abstract preliminary assessment information that the commissioner may require under section 270C.85, subdivision 2, clause (4), that will be acted upon by the local and county boards of review. The abstract must list the real and personal property in the county itemized by assessment districts.~~ The assessor of each county in the state shall file with the commissioner, within ten working days following final action of the local board of review or equalization and within five days following final action of the county board of equalization, any changes made by the local or county board. ~~The information must be filed in the manner prescribed by the commissioner.~~

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

Sec. 3. Minnesota Statutes 2016, section 270C.89, subdivision 2, is amended to read:

Subd. 2. **Final report.** The final ~~abstract of assessments~~ assessment information after adjustments by the State Board of Equalization and inclusion of any omitted property shall be ~~submitted~~ reported to the commissioner ~~on or before September 1 of each calendar year under section 270C.85, subdivision 2, clause (4). The final abstract must separately report the captured tax capacity of tax increment financing districts under section 469.177, subdivision 2, the areawide net tax capacity contribution values determined under sections 276A.05, subdivision 1, and 473F.07, subdivision 1, and the value subject to the power line credit under section 273.42.~~

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

Sec. 4. Minnesota Statutes 2016, section 270C.91, is amended to read:

270C.91 RECORD OF PROCEEDINGS CHANGING NET TAX CAPACITY; DUTIES OF COUNTY AUDITOR.

A record of all proceedings of the commissioner affecting any change in the net tax capacity of any property, as revised by the State Board of Equalization, shall be kept by the commissioner and a copy thereof, duly certified, shall be mailed each year to the auditor of each county wherein such property is situated, on or before June 30 ~~or 30 days after submission of the abstract required by section 270C.89, whichever is later.~~ This record shall specify the amounts or amount, or both, added to or deducted from the net tax capacity of the real property of each of the several towns and cities, and of the real property not in towns or cities, also the percent or amount of both, added to or deducted from the several classes of personal property in each of the towns and cities, and also the amount added to or deducted from the assessment of any person. The county auditor shall add to or deduct from such tract or lot, or portion thereof, of any real property in the county the required percent or amount, or both, on the net tax capacity thereof as it stood after equalized by the county board, adding in each case a fractional sum of 50 cents or more, and deducting in each case any fractional sum of less than 50 cents, so that no net tax capacity of any separate tract or lot shall contain any fraction of a dollar; and add to, or deduct from, the several classes of personal property in the county the required percent or amount, or both, on the net tax capacity thereof as it stood after equalized by the

county board, adding or deducting in manner aforesaid any fractional sum so that no net tax capacity of any separate class of personal property shall contain a fraction of a dollar, and add to or deduct from assessment of any person, as they stood after equalization by the county board, the required amounts to agree with the assessments as returned by the commissioner.

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

Sec. 5. Minnesota Statutes 2016, section 273.061, subdivision 9, is amended to read:

Subd. 9. **Additional general duties.** Additional duties of the county assessor ~~shall be~~ are as follows:

(1) to make all assessments, based upon the appraised values reported by the local assessors or assistants and the county assessor's own knowledge of the value of the property assessed;

(2) to personally view and determine the value of any property ~~which~~ that because of its type or character may be difficult for the local assessor to appraise;

(3) to make all changes ordered by the local boards of review, relative to the net tax capacity of the property of any individual, firm or corporation after notice has been given and hearings held as provided by law;

(4) to enter all assessments in the assessment books, furnished by the county auditor, with each book and the tabular statements for each book in correct balance;

(5) to prepare all assessment cards, charts, maps and any other forms prescribed by the commissioner of revenue;

(6) to attend the meeting of the county board of equalization; to investigate and report on any assessment ordered by said board; to enter all changes made by said board in the assessment books and prepare ~~the abstract of assessments for the commissioner of revenue~~ information reported to the commissioner under section 270C.85, subdivision 2, clause (4); to enter all changes made by the State Board of Equalization in the assessment books; to deduct all exemptions authorized by law from each assessment and certify to the county auditor the taxable value of each parcel of land, as described and listed in the assessment books by the county auditor, and the taxable value of the personal property of each person, firm, or corporation assessed;

(7) to investigate and make recommendations relative to all applications for the abatement of taxes or applications for the reduction of the net tax capacity of any property; and

(8) to perform all other duties relating to the assessment of property for the purpose of taxation which may be required by the commissioner of revenue.

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

Sec. 6. Minnesota Statutes 2017 Supplement, section 273.0755, is amended to read:

273.0755 TRAINING AND EDUCATION OF PROPERTY TAX PERSONNEL.

(a) Beginning with the four-year period starting on July 1, 2000, every person licensed by the state Board of Assessors at the Accredited Minnesota Assessor level or higher, shall successfully complete a weeklong Minnesota laws course sponsored by the Department of Revenue at least once in every four-year period. An assessor need not attend the course if they successfully pass the test for the course.

(b) The commissioner of revenue may require that each county, and each city for which the city assessor performs the duties of county assessor, have ~~(i) (1)~~ a person on the assessor's staff who is certified by the Department of Revenue in sales ratio calculations, ~~(ii) (2)~~ an officer or employee who is certified by the Department of Revenue in tax calculations, and ~~(iii) (3)~~ an officer or employee who is certified by the Department of Revenue in the proper preparation of abstracts of assessment. ~~The commissioner of revenue may require that each county have an officer or employee who is certified by the Department of Revenue in the proper preparation of abstracts of tax lists~~ information reported to the commissioner under section 270C.85, subdivision 2, clause (4). Certifications under this paragraph expire after four years.

(c) Beginning with the four-year educational licensing period starting on July 1, 2004, every Minnesota assessor licensed by the State Board of Assessors must attend and participate in a seminar that focuses on ethics, professional conduct and the need for standardized assessment practices developed and presented by the commissioner of revenue. This requirement must be met at least once in every subsequent four-year period. This requirement applies to all assessors licensed for one year or more in the four-year period.

(d) When the commissioner of revenue determines that an individual or board that performs functions related to property tax administration has performed those functions in a manner that is not uniform or equitable, the commissioner may require that the individual or members of the board complete supplemental training. The commissioner may not require that an individual complete more than 32 hours of supplemental training pursuant to this paragraph. If the individual is required to complete supplemental training due to that individual's membership on a local or county board of appeal and equalization, the commissioner may not require that the individual complete more than two hours of supplemental training.

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

Sec. 7. Minnesota Statutes 2016, section 273.113, subdivision 3, is amended to read:

Subd. 3. **Reimbursement for lost revenue.** The county auditor shall certify to the commissioner of revenue, ~~as part of the abstracts of tax lists required to be filed with the commissioner~~ under section ~~275.29~~ 270C.85, subdivision 2, clause (4), the amount of tax lost to the county from the property tax credit under subdivision 2. Any prior year adjustments must also be certified ~~in the abstracts of tax lists~~. The commissioner of revenue shall review the certifications to determine their accuracy. The commissioner may make the changes in the certification that are considered necessary or return a certification to the county auditor for corrections. The commissioner shall reimburse each taxing district, other than school districts, for the taxes lost. The payments must be made at the time provided in section 473H.10 for payment to taxing jurisdictions in the same proportion that the ad valorem tax is distributed. Reimbursements to school districts must be made as provided in section 273.1392. The amount necessary to make the reimbursements under this section is annually appropriated from the general fund to the commissioner of revenue.

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

Sec. 8. Minnesota Statutes 2016, section 273.119, subdivision 2, is amended to read:

Subd. 2. **Reimbursement for lost revenue.** The county may transfer money from the county conservation account created in section 40A.152 to the county revenue fund to reimburse the fund for the cost of the property tax credit. The county auditor shall certify to the commissioner of revenue, ~~as part of the abstracts of tax lists required to be filed with the commissioner~~ under section ~~275.29~~ 270C.85, subdivision 2, clause (4), the amount of tax lost to the county from the property tax credit under subdivision 1 and the extent that the tax lost exceeds funds available in the county conservation account. Any prior year adjustments must also be certified ~~in the abstracts of tax lists~~. The commissioner of revenue shall review the certifications to determine their accuracy. The commissioner may make the changes in the certification that are considered necessary or return a certification to the county auditor for

corrections. The commissioner shall reimburse each taxing district, other than school districts, from the Minnesota conservation fund under section 40A.151 for the taxes lost in excess of the county account. The payments must be made at the time provided in section 473H.10, subdivision 3, for payment to taxing jurisdictions in the same proportion that the ad valorem tax is distributed.

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

Sec. 9. Minnesota Statutes 2016, section 273.1231, subdivision 3, is amended to read:

Subd. 3. **Disaster or emergency area.** (a) "Disaster or emergency area" means a geographic area for which:

(1)(i) the president of the United States, the secretary of agriculture, or the administrator of the Small Business Administration has determined that a disaster exists pursuant to federal law, or

(ii) a local emergency has been declared pursuant to section 12.29; and

(2) an application by the local unit of government requesting property tax relief under this section has been received by the governor and approved by the executive council.

(b) The executive council must not approve an application unless:

(1) a completed disaster survey is included; and

(2) within the boundaries of the applicant, (i) the average damage for the buildings that are damaged is at least \$5,000, and (ii) either at least 25 taxable buildings were damaged, or the total dollar amount of damage to all taxable buildings equals or exceeds one percent of the total taxable market value of buildings for the applicant as reported to the commissioner of revenue under section ~~270C.89, subdivision 2~~ 270C.85, subdivision 2, clause (4), for the assessment in the year prior to the year of the damage.

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

Sec. 10. Minnesota Statutes 2016, section 273.136, subdivision 2, is amended to read:

Subd. 2. **Reduction amounts submitted to county.** The commissioner of revenue shall determine, not later than April 1 of each year, the amount of reduction resulting from section 273.135 in each county containing a tax relief area as defined by section 273.134, paragraph (b), basing determinations on a review of ~~abstracts of tax lists submitted by the county auditors pursuant to section 275.29~~ information reported to the commissioner under section 270C.85, subdivision 2, clause (4). The commissioner may make changes ~~in the abstracts of tax lists~~ as deemed necessary. The commissioner of revenue, after such review, shall submit to the St. Louis County auditor, on or before April 15, the amount of the first half payment payable hereunder and on or before September 15 the amount of the second half payment.

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

Sec. 11. Minnesota Statutes 2016, section 273.1384, subdivision 3, is amended to read:

Subd. 3. **Credit reimbursements.** The county auditor shall determine the tax reductions allowed under subdivision 2 within the county for each taxes payable year and shall certify that amount to the commissioner of revenue ~~as a part of the abstracts of tax lists submitted by the county auditors under section 275.29~~ under section 270C.85, subdivision 2, clause (4). Any prior year adjustments shall also be certified ~~on the abstracts of tax lists~~. The commissioner shall review the certifications for accuracy, and may make such changes as are deemed

necessary, or return the certification to the county auditor for correction. The credit under this section must be used to proportionately reduce the net tax capacity-based property tax payable to each local taxing jurisdiction as provided in section 273.1393.

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

Sec. 12. Minnesota Statutes 2017 Supplement, section 273.1387, subdivision 3, is amended to read:

Subd. 3. **Credit reimbursements.** The county auditor shall determine the tax reductions allowed under this section within the county for each taxes payable year and shall certify that amount to the commissioner of revenue ~~as a part of the abstracts of tax lists submitted under section 275.29~~ under section 270C.85, subdivision 2, clause (4). Any prior year adjustments shall also be certified ~~on the abstracts of tax lists.~~ The commissioner shall review the certifications for accuracy, and may make such changes as are deemed necessary, or return the certification to the county auditor for correction. The credit under this section must be used to reduce the school district net tax capacity-based property tax as provided in section 273.1393.

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

Sec. 13. Minnesota Statutes 2016, section 273.18, is amended to read:

273.18 LISTING, VALUATION, AND ASSESSMENT OF EXEMPT PROPERTY BY COUNTY AUDITORS.

(a) In every sixth year after the year 2010, the county auditor shall enter the description of each tract of real property exempt by law from taxation, with the name of the owner, and the assessor shall value and assess the same in the same manner that other real property is valued and assessed, and shall designate in each case the purpose for which the property is used.

(b) ~~For purposes of the apportionment of fire state aid under section 69.021, subdivision 7, The county auditor shall include on the abstract of assessment of exempt real property filed under this section~~ in the exempt property information that the commissioner may require under section 270C.85, subdivision 2, clause (4), the total number of acres of all natural resources lands for which in lieu payments are made under sections 477A.11 to 477A.14. The assessor shall estimate its market value, provided that if the assessor is not able to estimate the market value of the land on a per parcel basis, the assessor shall furnish the commissioner of revenue with an estimate of the average value per acre of this land within the county.

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

Sec. 14. Minnesota Statutes 2016, section 274.14, is amended to read:

274.14 LENGTH OF SESSION; RECORD.

The board must meet after the second Friday in June on at least one meeting day and may meet for up to ten consecutive meeting days. The actual meeting dates must be contained on the valuation notices mailed to each property owner in the county as provided in section 273.121. For this purpose, "meeting days" is defined as any day of the week excluding Sunday. At the board's discretion, "meeting days" may include Saturday. No action taken by the county board of review after June 30 is valid, except for corrections permitted in sections 273.01 and 274.01. The county auditor shall keep an accurate record of the proceedings and orders of the board. The record must be published like other proceedings of county commissioners. A copy of the published record must be sent to the commissioner of revenue, ~~with the abstract of assessment required by section 274.16~~ within five days following final action of the county board of equalization.

For counties that conduct either regular board of review meetings or open book meetings, at least one of the meeting days must include a meeting that does not end before 7:00 p.m. For counties that require taxpayer appointments for the board of review, appointments must include some available times that extend until at least 7:00 p.m. The county may have a Saturday meeting in lieu of, or in addition to, the extended meeting times under this paragraph.

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

Sec. 15. Minnesota Statutes 2016, section 274.16, is amended to read:

274.16 CORRECTED LISTS, ~~ABSTRACTS~~.

The county assessor or, in Ramsey County, the official designated by the board of county commissioners shall calculate the changes of the assessment lists determined by the county board of equalization, and make corrections accordingly, in the real or personal lists, or both, and shall make ~~duplicate abstracts~~ duplicates of them. One must be filed in the assessor's office, and one must be forwarded to the commissioner of revenue as provided in section 270C.89.

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

Sec. 16. Minnesota Statutes 2017 Supplement, section 275.025, subdivision 1, is amended to read:

Subdivision 1. **Levy amount.** The state general levy is levied against commercial-industrial property and seasonal residential recreational property, as defined in this section. The state general levy for commercial-industrial property is \$784,590,000 for taxes payable in 2018 and thereafter. The state general levy for seasonal-recreational property is \$44,190,000 for taxes payable in 2018 and thereafter. The tax under this section is not treated as a local tax rate under section 469.177 and is not the levy of a governmental unit under chapters 276A and 473F.

The commissioner shall increase or decrease the preliminary or final rate for a year as necessary to account for errors and tax base changes that affected a preliminary or final rate for either of the two preceding years. Adjustments are allowed to the extent that the necessary information is available to the commissioner at the time the rates for a year must be certified, and for the following reasons:

(1) an erroneous report of taxable value by a local official;

(2) an erroneous calculation by the commissioner; and

(3) an increase or decrease in taxable value for commercial-industrial or seasonal residential recreational property reported ~~on the abstracts of tax lists submitted under section 275.29 that was not reported on the abstracts of assessment submitted under section 270C.89~~ to the commissioner under section 270C.85, subdivision 2, clause (4), for the same year.

The commissioner may, but need not, make adjustments if the total difference in the tax levied for the year would be less than \$100,000.

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

Sec. 17. Minnesota Statutes 2016, section 290B.09, subdivision 1, is amended to read:

Subdivision 1. **Determination; payment.** The county auditor shall determine the total current year's deferred amount of property tax under this chapter in the county, and ~~submit report those amounts as part of the abstracts of tax lists submitted by the county auditors under section 275.29 to the commissioner under section 270C.85, subdivision 2, clause (4).~~ The commissioner may make changes in the abstracts of tax lists as deemed necessary. The commissioner of revenue, after such review, shall pay the deferred amount of property tax to each county treasurer on or before August 31.

The county treasurer shall distribute as part of the October settlement the funds received as if they had been collected as a part of the property tax.

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

Sec. 18. Minnesota Statutes 2016, section 469.177, subdivision 1, is amended to read:

Subdivision 1. **Original net tax capacity.** (a) Upon or after adoption of a tax increment financing plan, the auditor of any county in which the district is situated shall, upon request of the authority, certify the original net tax capacity of the tax increment financing district and that portion of the district overlying any subdistrict as described in the tax increment financing plan and shall certify in each year thereafter the amount by which the original net tax capacity has increased or decreased as a result of a change in tax exempt status of property within the district and any subdistrict, reduction or enlargement of the district or changes pursuant to subdivision 4. The auditor shall certify the amount within 30 days after receipt of the request and sufficient information to identify the parcels included in the district. The certification relates to the taxes payable year as provided in subdivision 6.

(b) If the classification under section 273.13 of property located in a district changes to a classification that has a different assessment ratio, the original net tax capacity of that property must be redetermined at the time when its use is changed as if the property had originally been classified in the same class in which it is classified after its use is changed.

(c) The amount to be added to the original net tax capacity of the district as a result of previously tax exempt real property within the district becoming taxable equals the net tax capacity of the real property as most recently assessed pursuant to ~~section 273.18~~ information reported to the commissioner under section 270C.85, subdivision 2, clause (4), or, if that assessment was made more than one year prior to the date of title transfer rendering the property taxable, the net tax capacity assessed by the assessor at the time of the transfer. If improvements are made to tax exempt property after the municipality approves the district and before the parcel becomes taxable, the assessor shall, at the request of the authority, separately assess the estimated market value of the improvements. If the property becomes taxable, the county auditor shall add to original net tax capacity, the net tax capacity of the parcel, excluding the separately assessed improvements. If substantial taxable improvements were made to a parcel after certification of the district and if the property later becomes tax exempt, in whole or part, as a result of the authority acquiring the property through foreclosure or exercise of remedies under a lease or other revenue agreement or as a result of tax forfeiture, the amount to be added to the original net tax capacity of the district as a result of the property again becoming taxable is the amount of the parcel's value that was included in original net tax capacity when the parcel was first certified. The amount to be added to the original net tax capacity of the district as a result of enlargements equals the net tax capacity of the added real property as most recently certified by the commissioner of revenue as of the date of modification of the tax increment financing plan pursuant to section 469.175, subdivision 4.

(d) If the net tax capacity of a property increases because the property no longer qualifies under the Minnesota Agricultural Property Tax Law, section 273.111; the Minnesota Open Space Property Tax Law, section 273.112; or the Metropolitan Agricultural Preserves Act, chapter 473H, the Rural Preserve Property Tax Program under section

273.114, or because platted, unimproved property is improved or market value is increased after approval of the plat under section 273.11, subdivision 14a or 14b, the increase in net tax capacity must be added to the original net tax capacity. If the net tax capacity of a property increases because the property no longer qualifies for the homestead market value exclusion under section 273.13, subdivision 35, the increase in net tax capacity must be added to original net tax capacity if the original construction of the affected home was completed before the date the assessor certified the original net tax capacity of the district.

(e) The amount to be subtracted from the original net tax capacity of the district as a result of previously taxable real property within the district becoming tax exempt or qualifying in whole or part for an exclusion from taxable market value, or a reduction in the geographic area of the district, shall be the amount of original net tax capacity initially attributed to the property becoming tax exempt, being excluded from taxable market value, or being removed from the district. If the net tax capacity of property located within the tax increment financing district is reduced by reason of a court-ordered abatement, stipulation agreement, voluntary abatement made by the assessor or auditor or by order of the commissioner of revenue, the reduction shall be applied to the original net tax capacity of the district when the property upon which the abatement is made has not been improved since the date of certification of the district and to the captured net tax capacity of the district in each year thereafter when the abatement relates to improvements made after the date of certification. The county auditor may specify reasonable form and content of the request for certification of the authority and any modification thereof pursuant to section 469.175, subdivision 4.

(f) If a parcel of property contained a substandard building or improvements described in section 469.174, subdivision 10, paragraph (e), that were demolished or removed and if the authority elects to treat the parcel as occupied by a substandard building under section 469.174, subdivision 10, paragraph (b), or by improvements under section 469.174, subdivision 10, paragraph (e), the auditor shall certify the original net tax capacity of the parcel using the greater of (1) the current net tax capacity of the parcel, or (2) the estimated market value of the parcel for the year in which the building or other improvements were demolished or removed, but applying the classification rates for the current year.

(g) For a redevelopment district qualifying under section 469.174, subdivision 10, paragraph (a), clause (4), as a qualified disaster area, the auditor shall certify the value of the land as the original tax capacity for any parcel in the district that contains a building that suffered substantial damage as a result of the disaster or emergency.

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

Sec. 19. **REPEALER.**

Minnesota Statutes 2016, section 275.29, is repealed.

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

ARTICLE 15
DEPARTMENT OF REVENUE; MISCELLANEOUS;
TECHNICAL CHANGES

Section 1. Minnesota Statutes 2016, section 272.02, subdivision 27, is amended to read:

Subd. 27. **Superior National Forest; recreational property for use by ~~disabled~~ veterans with a disability.** Real and personal property is exempt if it is located in the Superior National Forest, and owned or leased and operated by a nonprofit organization that is exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code and primarily used to provide recreational opportunities for ~~disabled~~ veterans with a disability and their families.

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

Sec. 2. Minnesota Statutes 2016, section 272.02, subdivision 81, is amended to read:

Subd. 81. **Certain recreational property for disabled veterans with a disability.** Real and personal property is exempt if it is located in a county in the metropolitan area with a population of less than 500,000 according to the 2000 federal census, and owned or leased and operated by a nonprofit organization, and primarily used to provide recreational opportunities for ~~disabled~~ veterans with a disability and their families.

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

Sec. 3. Minnesota Statutes 2016, section 273.032, is amended to read:

273.032 MARKET VALUE DEFINITION.

(a) Unless otherwise provided, for the purpose of determining any property tax levy limitation based on market value or any limit on net debt, the issuance of bonds, certificates of indebtedness, or capital notes based on market value, any qualification to receive state aid based on market value, or any state aid amount based on market value, the terms "market value," "estimated market value," and "market valuation," whether equalized or unequalized, mean the estimated market value of taxable property within the local unit of government before any of the following or similar adjustments for:

(1) the market value exclusions under:

- (i) section 273.11, subdivisions 14a and 14c (vacant platted land);
- (ii) section 273.11, subdivision 16 (certain improvements to homestead property);
- (iii) section 273.11, subdivisions 19 and 20 (certain improvements to business properties);
- (iv) section 273.11, subdivision 21 (homestead property damaged by mold);
- (v) section 273.13, subdivision 34 (homestead of a ~~disabled~~ veteran with a disability or family caregiver); or
- (vi) section 273.13, subdivision 35 (homestead market value exclusion); or

(2) the deferment of value under:

- (i) the Minnesota Agricultural Property Tax Law, section 273.111;
- (ii) the Aggregate Resource Preservation Law, section 273.1115;
- (iii) the Minnesota Open Space Property Tax Law, section 273.112;
- (iv) the rural preserves property tax program, section 273.114; or
- (v) the Metropolitan Agricultural Preserves Act, section 473H.10; or

(3) the adjustments to tax capacity for:

- (i) tax increment financing under sections 469.174 to 469.1794;
- (ii) fiscal disparities under chapter 276A or 473F; or
- (iii) powerline credit under section 273.425.

(b) Estimated market value under paragraph (a) also includes the market value of tax-exempt property if the applicable law specifically provides that the limitation, qualification, or aid calculation includes tax-exempt property.

(c) Unless otherwise provided, "market value," "estimated market value," and "market valuation" for purposes of property tax levy limitations and calculation of state aid, refer to the estimated market value for the previous assessment year and for purposes of limits on net debt, the issuance of bonds, certificates of indebtedness, or capital notes refer to the estimated market value as last finally equalized.

(d) For purposes of a provision of a home rule charter or of any special law that is not codified in the statutes and that imposes a levy limitation based on market value or any limit on debt, the issuance of bonds, certificates of indebtedness, or capital notes based on market value, the terms "market value," "taxable market value," and "market valuation," whether equalized or unequalized, mean "estimated market value" as defined in paragraph (a).

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

Sec. 4. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 22, is amended to read:

Subd. 22. **Class 1.** (a) Except as provided in subdivision 23 and in paragraphs (b) and (c), real estate which is residential and used for homestead purposes is class 1a. In the case of a duplex or triplex in which one of the units is used for homestead purposes, the entire property is deemed to be used for homestead purposes. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

The first \$500,000 of market value of class 1a property has a net classification rate of one percent of its market value; and the market value of class 1a property that exceeds \$500,000 has a classification rate of 1.25 percent of its market value.

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

(1) any person who is blind as defined in section 256D.35, or the ~~blind~~ person who is blind and the ~~blind person's~~ spouse of the person who is blind;

(2) any person who is permanently and totally disabled or by the ~~disabled~~ person with a disability and the ~~disabled person's~~ spouse of the person with a disability; or

(3) the surviving spouse of a veteran who was permanently and totally disabled ~~veteran~~ homesteading a property classified under this paragraph for taxes payable in 2008.

Property is classified and assessed under clause (2) only if the government agency or income-providing source certifies, upon the request of the homestead occupant, that the homestead occupant satisfies the disability requirements of this paragraph, and that the property is not eligible for the valuation exclusion under subdivision 34.

Property is classified and assessed under paragraph (b) only if the commissioner of revenue or the county assessor certifies that the homestead occupant satisfies the requirements of this paragraph.

Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings the person an income. The first \$50,000 market value of class 1b property has a net classification rate of .45 percent of its market value. The remaining market value of class 1b property is classified as class 1a or class 2a property, whichever is appropriate.

(c) Class 1c property is commercial use real and personal property that abuts public water as defined in section 103G.005, subdivision 15, or abuts a state trail administered by the Department of Natural Resources, and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner, which includes a dwelling occupied as a homestead by a shareholder of a corporation that owns the resort, a partner in a partnership that owns the resort, or a member of a limited liability company that owns the resort even if the title to the homestead is held by the corporation, partnership, or limited liability company. For purposes of this paragraph, property is devoted to a commercial purpose on a specific day if any portion of the property, excluding the portion used exclusively as a homestead, is used for residential occupancy and a fee is charged for residential occupancy. Class 1c property must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. Class 1c property must provide recreational activities such as the rental of ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina services, launch services, or guide services; or sell bait and fishing tackle. Any unit in which the right to use the property is transferred to an individual or entity by deeded interest, or the sale of shares or stock, no longer qualifies for class 1c even though it may remain available for rent. A camping pad offered for rent by a property that otherwise qualifies for class 1c is also class 1c, regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. If the same owner owns two separate parcels that are located in the same township, and one of those properties is classified as a class 1c property and the other would be eligible to be classified as a class 1c property if it was used as the homestead of the owner, both properties will be assessed as a single class 1c property; for purposes of this sentence, properties are deemed to be owned by the same owner if each of them is owned by a limited liability company, and both limited liability companies have the same membership. The portion of the property used as a homestead is class 1a property under paragraph (a). The remainder of the property is classified as follows: the first \$600,000 of market value is tier I, the next \$1,700,000 of market value is tier II, and any remaining market value is tier III. The classification rates for class 1c are: tier I, 0.50 percent; tier II, 1.0 percent; and tier III, 1.25 percent. Owners of real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes in which all or a portion of the property was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 1c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located must be designated as class 1c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located must be designated as class 3a commercial. The owner of property desiring designation as class 1c property must provide guest registers or other records demonstrating that the units for which class 1c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 1c.

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

- (1) the structure is located on property that is classified as agricultural property under section 273.13, subdivision 23;
- (2) the structure is occupied exclusively by seasonal farm workers during the time when they work on that farm, and the occupants are not charged rent for the privilege of occupying the property, provided that use of the structure for storage of farm equipment and produce does not disqualify the property from classification under this paragraph;
- (3) the structure meets all applicable health and safety requirements for the appropriate season; and
- (4) the structure is not salable as residential property because it does not comply with local ordinances relating to location in relation to streets or roads.

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

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

Sec. 5. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 34, is amended to read:

Subd. 34. **Homestead of ~~disabled~~ veteran with a disability or family caregiver.** (a) All or a portion of the market value of property owned by a veteran and serving as the veteran's homestead under this section is excluded in determining the property's taxable market value if the veteran has a service-connected disability of 70 percent or more as certified by the United States Department of Veterans Affairs. To qualify for exclusion under this subdivision, the veteran must have been honorably discharged from the United States armed forces, as indicated by United States Government Form DD214 or other official military discharge papers.

(b)(1) For a disability rating of 70 percent or more, \$150,000 of market value is excluded, except as provided in clause (2); and

(2) for a total (100 percent) and permanent disability, \$300,000 of market value is excluded.

(c) If a ~~disabled~~ veteran with a disability qualifying for a valuation exclusion under paragraph (b), clause (2), predeceases the veteran's spouse, and if upon the death of the veteran the spouse holds the legal or beneficial title to the homestead and permanently resides there, the exclusion shall carry over to the benefit of the veteran's spouse for the current taxes payable year and for eight additional taxes payable years or until such time as the spouse remarries, or sells, transfers, or otherwise disposes of the property, whichever comes first. Qualification under this paragraph requires an application under paragraph (h), and a spouse must notify the assessor if there is a change in the spouse's marital status, ownership of the property, or use of the property as a permanent residence.

(d) If the spouse of a member of any branch or unit of the United States armed forces who dies due to a service-connected cause while serving honorably in active service, as indicated on United States Government Form DD1300 or DD2064, holds the legal or beneficial title to a homestead and permanently resides there, the spouse is entitled to the benefit described in paragraph (b), clause (2), for eight taxes payable years, or until such time as the spouse remarries or sells, transfers, or otherwise disposes of the property, whichever comes first.

(e) If a veteran meets the disability criteria of paragraph (a) but does not own property classified as homestead in the state of Minnesota, then the homestead of the veteran's primary family caregiver, if any, is eligible for the exclusion that the veteran would otherwise qualify for under paragraph (b).

(f) In the case of an agricultural homestead, only the portion of the property consisting of the house and garage and immediately surrounding one acre of land qualifies for the valuation exclusion under this subdivision.

(g) A property qualifying for a valuation exclusion under this subdivision is not eligible for the market value exclusion under subdivision 35, or classification under subdivision 22, paragraph (b).

(h) To qualify for a valuation exclusion under this subdivision a property owner must apply to the assessor by July 1 of the first assessment year for which the exclusion is sought. For an application received after July 1, the exclusion shall become effective for the following assessment year. Except as provided in paragraph (c), the owner of a property that has been accepted for a valuation exclusion must notify the assessor if there is a change in ownership of the property or in the use of the property as a homestead.

(i) A first-time application by a qualifying spouse for the market value exclusion under paragraph (d) must be made any time within two years of the death of the service member.

(j) For purposes of this subdivision:

(1) "active service" has the meaning given in section 190.05;

(2) "own" means that the person's name is present as an owner on the property deed;

(3) "primary family caregiver" means a person who is approved by the secretary of the United States Department of Veterans Affairs for assistance as the primary provider of personal care services for an eligible veteran under the Program of Comprehensive Assistance for Family Caregivers, codified as United States Code, title 38, section 1720G; and

(4) "veteran" has the meaning given the term in section 197.447.

(k) If a veteran dying after December 31, 2011, did not apply for or receive the exclusion under paragraph (b), clause (2), before dying, the veteran's spouse is entitled to the benefit under paragraph (b), clause (2), for eight taxes payable years or until the spouse remarries or sells, transfers, or otherwise disposes of the property if:

(1) the spouse files a first-time application within two years of the death of the service member or by June 1, 2019, whichever is later;

(2) upon the death of the veteran, the spouse holds the legal or beneficial title to the homestead and permanently resides there;

(3) the veteran met the honorable discharge requirements of paragraph (a); and

(4) the United States Department of Veterans Affairs certifies that:

(i) the veteran met the total (100 percent) and permanent disability requirement under paragraph (b), clause (2); or

(ii) the spouse has been awarded dependency and indemnity compensation.

(l) The purpose of this provision of law providing a level of homestead property tax relief for ~~gravely disabled~~ veterans with a disability, their primary family caregivers, and their surviving spouses is to help ease the burdens of war for those among our state's citizens who bear those burdens most heavily.

(m) By July 1, the county veterans service officer must certify the disability rating and permanent address of each veteran receiving the benefit under paragraph (b) to the assessor.

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

Sec. 6. Minnesota Statutes 2016, section 289A.08, subdivision 6, is amended to read:

Subd. 6. **Returns of married persons.** ~~A husband and wife~~ Individuals who are married to each other must file a joint Minnesota income tax return if they filed a joint federal income tax return. ~~If the husband and wife spouses~~ have elected to file separate federal income tax returns, they must file separate Minnesota income tax returns. This election to file a joint or separate return must be changed if they change their election for federal purposes. In the event taxpayers desire to change their election, the change must be done in the manner and on the form prescribed by the commissioner.

The determination of whether an individual is married shall be made under the provisions of section 7703 of the Internal Revenue Code.

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

Sec. 7. Minnesota Statutes 2016, section 289A.25, subdivision 1, is amended to read:

Subdivision 1. **Requirements to pay.** An individual, trust, S corporation, or partnership must, when prescribed in subdivision 3, paragraph (b), make payments of estimated tax. For individuals, the term "estimated tax" means the amount the taxpayer estimates is the sum of the taxes imposed by chapter 290 for the taxable year. For trusts, S corporations, and partnerships, the term estimated tax means the amount the taxpayer estimates is the sum of the taxes for the taxable year imposed by chapter 290 and the composite income tax imposed by section 289A.08, subdivision 7. If the individual is an infant or incompetent person, the payments must be made by the individual's guardian. If joint payments on estimated tax are made but a joint return is not made for the taxable year, the estimated tax for that year may be treated as the estimated tax of either ~~the husband or the wife~~ spouse or may be divided between them.

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

Sec. 8. Minnesota Statutes 2016, section 289A.31, subdivision 2, is amended to read:

Subd. 2. **Joint income tax returns.** (a) If a joint income tax return is made by ~~a husband and wife~~ spouses, the liability for the tax is joint and several. A spouse who qualifies for relief from a liability attributable to an underpayment under section 6015(b) of the Internal Revenue Code is relieved of the state income tax liability on the underpayment.

(b) In the case of individuals who were ~~a husband and wife~~ married as determined in section 7703 of the Internal Revenue Code prior to the dissolution of their marriage or their legal separation, or prior to the death of one of the individuals, for tax liabilities reported on a joint or combined return, the liability of each person is limited to the proportion of the tax due on the return that equals that person's proportion of the total tax due if ~~the husband and wife~~ each spouse filed separate returns for the taxable year. This provision is effective only when the commissioner receives written notice of the marriage dissolution, legal separation, or death of a spouse from the ~~husband or wife~~ surviving spouse. No refund may be claimed by an ex-spouse, legally separated or widowed spouse for any taxes paid more than 60 days before receipt by the commissioner of the written notice.

(c) A request for calculation of separate liability pursuant to paragraph (b) for taxes reported on a return must be made within six years after the due date of the return. For calculation of separate liability for taxes assessed by the commissioner under section 289A.35 or 289A.37, the request must be made within six years after the date of assessment. The commissioner is not required to calculate separate liability if the remaining unpaid liability for which recalculation is requested is \$100 or less.

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

Sec. 9. Minnesota Statutes 2016, section 289A.37, subdivision 6, is amended to read:

Subd. 6. **Order of assessment if joint income tax return.** If a joint income tax return is filed by ~~a husband and wife~~ spouses, an order of assessment may be a single joint notice. If the commissioner has been notified by either spouse that that spouse's address has changed and if that spouse requests it, then, instead of the single joint notice mailed to the last known address of the ~~husband and wife~~ spouses, a duplicate or original of the joint notice must be sent to the requesting spouse at the address designated by the requesting spouse. The other joint notice must be mailed to the other spouse at that spouse's last known address. An assessment is not invalid for failure to send it to a spouse if the spouse actually receives the notice in the same period as if it had been mailed to that spouse at the correct address or if the spouse has failed to provide an address to the commissioner other than the last known address.

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

Sec. 10. Minnesota Statutes 2016, 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~~ a person with a disability under section 290.0132, subdivision 5, 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 for a married taxpayer filing a joint return if a spouse is a qualified individual,

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

(iii) \$6,000 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 for a married taxpayer filing a joint return if both spouses are qualified individuals,

(ii) \$14,500 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 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 the day following final enactment.

Sec. 11. Minnesota Statutes 2016, section 290.0802, subdivision 3, is amended to read:

Subd. 3. **Restrictions; married couples.** Except in the case of ~~a husband and wife~~ spouses who live apart at all times during the taxable year, if the taxpayer is married at the close of the taxable year, the subtraction under subdivision 2 is allowable only if the taxpayers file joint federal and state income tax returns for the taxable year.

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

Sec. 12. Minnesota Statutes 2017 Supplement, section 290.091, subdivision 2, is amended to read:

Subd. 2. **Definitions.** For purposes of the tax imposed by this section, the following terms have the meanings given.

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

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

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

- (i) the charitable contribution deduction under section 170 of the Internal Revenue Code;
- (ii) the medical expense deduction;
- (iii) the casualty, theft, and disaster loss deduction; and
- (iv) the impairment-related work expenses of a ~~disabled~~ person with a disability;

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

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

(5) to the extent not included in federal alternative minimum taxable income, the amount of interest income as provided by section 290.0131, subdivision 2; and

(6) the amount of addition required by section 290.0131, subdivisions 9 to 11;

less the sum of the amounts determined under the following:

- (i) interest income as defined in section 290.0132, subdivision 2;
- (ii) an overpayment of state income tax as provided by section 290.0132, subdivision 3, to the extent included in federal alternative minimum taxable income;
- (iii) the amount of investment interest paid or accrued within the taxable year on indebtedness to the extent that the amount does not exceed net investment income, as defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted in computing federal adjusted gross income;
- (iv) amounts subtracted from federal taxable income as provided by section 290.0132, subdivisions 7, 9 to 15, 17, 21, 24, and 26; and
- (v) the amount of the net operating loss allowed under section 290.095, subdivision 11, paragraph (c).

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

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

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

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

(e) "Tentative minimum tax" equals 6.75 percent of alternative minimum taxable income after subtracting the exemption amount determined under subdivision 3.

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

Sec. 13. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 3, is amended to read:

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

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

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

(i) all nontaxable income;

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

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

(iv) cash public assistance and relief;

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

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

(vii) workers' compensation;

(viii) nontaxable strike benefits;

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

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

(b) "Income" does not include:

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

(2) 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;

(3) 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;

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

(5) relief granted under this chapter;

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

(7) 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.

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

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

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

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

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

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

(6) if the claimant or claimant's spouse ~~was disabled~~ had a disability 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.

(d) 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)(C) 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 the day following final enactment.

Sec. 14. Minnesota Statutes 2016, section 290A.03, subdivision 4, is amended to read:

Subd. 4. **Household.** "Household" means a claimant and an individual related to the claimant as ~~husband or wife~~ the claimant's spouse who are domiciled in the same homestead.

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

Sec. 15. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 8, is amended to read:

Subd. 8. **Claimant.** (a) "Claimant" means a person, other than a dependent, as defined under sections 151 and 152 of the Internal Revenue Code disregarding section 152(b)(3) of the Internal Revenue Code, who filed a claim authorized by this chapter and who was a resident of this state as provided in chapter 290 during the calendar year for which the claim for relief was filed.

(b) In the case of a claim relating to rent constituting property taxes, the claimant shall have resided in a rented or leased unit on which ad valorem taxes or payments made in lieu of ad valorem taxes, including payments of special assessments imposed in lieu of ad valorem taxes, are payable at some time during the calendar year covered by the claim.

(c) "Claimant" shall not include a resident of a nursing home, intermediate care facility, long-term residential facility, or a facility that accepts housing support payments whose rent constituting property taxes is paid pursuant to the Supplemental Security Income program under title XVI of the Social Security Act, the Minnesota supplemental aid program under sections 256D.35 to 256D.54, the medical assistance program pursuant to title XIX of the Social Security Act, or the housing support program under chapter 256I.

If only a portion of the rent constituting property taxes is paid by these programs, the resident shall be a claimant for purposes of this chapter, but the refund calculated pursuant to section 290A.04 shall be multiplied by a fraction, the numerator of which is income as defined in subdivision 3, paragraphs (a) and (b), reduced by the total amount of income from the above sources other than vendor payments under the medical assistance program and the denominator of which is income as defined in subdivision 3, paragraphs (a) and (b), plus vendor payments under the medical assistance program, to determine the allowable refund pursuant to this chapter.

(d) Notwithstanding paragraph (c), if the claimant was a resident of the nursing home, intermediate care facility, long-term residential facility, or facility for which the rent was paid for the claimant by the housing support program for only a portion of the calendar year covered by the claim, the claimant may compute rent constituting property taxes by disregarding the rent constituting property taxes from the nursing home or facility and use only that amount of rent constituting property taxes or property taxes payable relating to that portion of the year when the claimant was not in the facility. The claimant's household income is the income for the entire calendar year covered by the claim.

(e) In the case of a claim for rent constituting property taxes of a part-year Minnesota resident, the income and rental reflected in this computation shall be for the period of Minnesota residency only. Any rental expenses paid which may be reflected in arriving at federal adjusted gross income cannot be utilized for this computation. When

two individuals of a household are able to meet the qualifications for a claimant, they may determine among them as to who the claimant shall be. If they are unable to agree, the matter shall be referred to the commissioner of revenue whose decision shall be final. If a homestead property owner was a part-year Minnesota resident, the income reflected in the computation made pursuant to section 290A.04 shall be for the entire calendar year, including income not assignable to Minnesota.

(f) If a homestead is occupied by two or more renters, who are not ~~husband and wife~~ married to each other, the rent shall be deemed to be paid equally by each, and separate claims shall be filed by each. The income of each shall be each renter's household income for purposes of computing the amount of credit to be allowed.

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

Sec. 16. Minnesota Statutes 2016, section 290A.05, is amended to read:

290A.05 COMBINED HOUSEHOLD INCOME.

If a person occupies a homestead with another person ~~or persons~~ not related to the person as ~~husband and wife~~ the person's spouse, excluding dependents, roomers or boarders on contract, and has property tax payable with respect to the homestead, the household income of the claimant or claimants for the purpose of computing the refund allowed by section 290A.04 shall include the total income received by the other persons residing in the homestead. For purposes of this section, "dependent" includes a parent of the claimant or spouse who lives in the claimant's homestead and does not have an ownership interest in the homestead. If a person occupies a homestead with another person or persons not related to the person as husband and wife the person's spouse or as dependents, the property tax payable or rent constituting property tax shall be reduced as follows.

If the other person or persons are residing at the homestead under rental or lease agreement, the amount of property tax payable or rent constituting property tax shall be that portion not covered by the rental agreement.

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

Sec. 17. Minnesota Statutes 2016, section 290A.08, is amended to read:

290A.08 ONE CLAIMANT PER HOUSEHOLD.

Only one claimant per household per year is entitled to relief under this chapter. Payment of the claim for relief may be made payable to the ~~husband and wife~~ spouses as one claimant. The commissioner, upon written request, may issue separate checks, to the ~~husband and wife~~ spouses for one-half of the relief provided the original check has not been issued or has been returned. Individuals related as ~~husband and wife~~ spouses who were married during the year may elect to file a joint claim which shall include each spouse's income, rent constituting property taxes, and property taxes payable. ~~Husbands and wives~~ Spouses who were married for the entire year and were domiciled in the same household for the entire year must file a joint claim. The maximum dollar amount allowable for a joint claim shall not exceed the amount that one person could receive.

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

Sec. 18. Minnesota Statutes 2016, section 290A.09, is amended to read:

290A.09 PROOF OF CLAIM.

Every claimant shall supply to the commissioner of revenue, in support of the claim, proof of eligibility under this chapter, including but not limited to amount of rent paid or property taxes accrued, name and address of owner or managing agent of property rented, changes in homestead, household membership, household income, size and nature of property claimed as a homestead.

~~Disabled~~ Persons with a disability filing claims shall submit proof of disability in the form and manner as the commissioner may prescribe. The department may require examination and certification by the claimant's physician or by a physician designated by the commissioner. The cost of any examination shall be borne by the claimant, unless the examination proves the disability, in which case the cost of the examination shall be borne by the commissioner.

A determination of disability of a claimant by the Social Security Administration under Title II or Title XVI of the Social Security Act shall constitute presumptive proof of disability.

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

Sec. 19. Minnesota Statutes 2016, section 297A.61, subdivision 18, is amended to read:

Subd. 18. **Disabled Person with a disability.** "~~Disabled~~ Person with a disability" means an individual who has a permanent and total disability as defined in section 273.13, subdivision 22.

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

Sec. 20. Minnesota Statutes 2017 Supplement, section 297A.67, subdivision 6, is amended to read:

Subd. 6. **Other exempt meals.** (a) Prepared food, candy, and soft drinks purchased for and served exclusively to individuals who are 60 years of age or over and their spouses or to ~~disabled~~ persons with a disability and their spouses by governmental agencies, nonprofit organizations, or churches, or pursuant to any program funded in whole or in part through United States Code, title 42, sections 3001 through 3045, wherever delivered, prepared, or served, are exempt. Taxable food sold through vending machines is not exempt.

(b) Prepared food, candy, and soft drinks purchased for and served exclusively to children who are less than 14 years of age or ~~disabled~~ children with a disability who are less than 16 years of age and who are attending a child care or early childhood education program, are exempt if they are:

(1) purchased by a nonprofit child care facility that is exempt under section 297A.70, subdivision 4, and that primarily serves families with income of 250 percent or less of federal poverty guidelines; and

(2) prepared at the site of the child care facility.

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

Sec. 21. Minnesota Statutes 2016, section 297A.67, subdivision 12, is amended to read:

Subd. 12. **Parts and accessories used to make a motor vehicle disabled accessible to a person with a disability.** Parts, accessories, and labor charges that are used solely to modify a motor vehicle to make it ~~disabled~~ accessible to persons with a disability are exempt.

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

Sec. 22. Minnesota Statutes 2016, section 297A.70, subdivision 3, is amended to read:

Subd. 3. **Sales of certain goods and services to government.** (a) The following sales to or use by the specified governments and political subdivisions of the state are exempt:

(1) repair and replacement parts for emergency rescue vehicles, fire trucks, and fire apparatus to a political subdivision;

(2) machinery and equipment, except for motor vehicles, used directly for mixed municipal solid waste management services at a solid waste disposal facility as defined in section 115A.03, subdivision 10;

(3) chore and homemaking services to a political subdivision of the state to be provided to elderly individuals or ~~disabled individuals~~ persons with a disability;

(4) telephone services to the Office of MN.IT Services that are used to provide telecommunications services through the MN.IT services revolving fund;

(5) firefighter personal protective equipment as defined in paragraph (b), if purchased or authorized by and for the use of an organized fire department, fire protection district, or fire company regularly charged with the responsibility of providing fire protection to the state or a political subdivision;

(6) bullet-resistant body armor that provides the wearer with ballistic and trauma protection, if purchased by a law enforcement agency of the state or a political subdivision of the state, or a licensed peace officer, as defined in section 626.84, subdivision 1;

(7) motor vehicles purchased or leased by political subdivisions of the state if the vehicles are exempt from registration under section 168.012, subdivision 1, paragraph (b), exempt from taxation under section 473.448, or exempt from the motor vehicle sales tax under section 297B.03, clause (12);

(8) equipment designed to process, dewater, and recycle biosolids for wastewater treatment facilities of political subdivisions, and materials incidental to installation of that equipment;

(9) the removal of trees, bushes, or shrubs for the construction and maintenance of roads, trails, or firebreaks when purchased by an agency of the state or a political subdivision of the state;

(10) purchases by the Metropolitan Council or the Department of Transportation of vehicles and repair parts to equip operations provided for in section 174.90, including, but not limited to, the Northstar Corridor Rail project; and

(11) purchases of water used directly in providing public safety services by an organized fire department, fire protection district, or fire company regularly charged with the responsibility of providing fire protection to the state or a political subdivision.

(b) For purposes of this subdivision, "firefighters personal protective equipment" means helmets, including face shields, chin straps, and neck liners; bunker coats and pants, including pant suspenders; boots; gloves; head covers or hoods; wildfire jackets; protective coveralls; goggles; self-contained breathing apparatus; canister filter masks; personal alert safety systems; spanner belts; optical or thermal imaging search devices; and all safety equipment required by the Occupational Safety and Health Administration.

(c) For purchases of items listed in paragraph (a), clause (10), the tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in the manner provided in section 297A.75.

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

Sec. 23. Minnesota Statutes 2017 Supplement, section 297A.70, subdivision 4, is amended to read:

Subd. 4. **Sales to nonprofit groups.** (a) All sales, except those listed in paragraph (b), to the following "nonprofit organizations" are exempt:

(1) a corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes if the item purchased is used in the performance of charitable, religious, or educational functions;

(2) any senior citizen group or association of groups that:

(i) in general limits membership to persons who are either age 55 or older, or ~~physically disabled~~ persons with a physical disability;

(ii) is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes, not including housing, no part of the net earnings of which inures to the benefit of any private shareholders; and

(iii) is an exempt organization under section 501(c) of the Internal Revenue Code; and

(3) an organization that qualifies for an exemption for memberships under subdivision 12 if the item is purchased and used in the performance of the organization's mission.

For purposes of this subdivision, charitable purpose includes the maintenance of a cemetery owned by a religious organization.

(b) This exemption does not apply to the following sales:

(1) building, construction, or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a building or facility;

(2) construction materials purchased by tax-exempt entities or their contractors to be used in constructing buildings or facilities that will not be used principally by the tax-exempt entities;

(3) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause (2), and prepared food, candy, soft drinks, and alcoholic beverages as defined in section 297A.67, subdivision 2, except wine purchased by an established religious organization for sacramental purposes or as allowed under subdivision 9a; and

(4) leasing of a motor vehicle as defined in section 297B.01, subdivision 11, except as provided in paragraph (c).

(c) This exemption applies to the leasing of a motor vehicle as defined in section 297B.01, subdivision 11, only if the vehicle is:

(1) a truck, as defined in section 168.002, a bus, as defined in section 168.002, or a passenger automobile, as defined in section 168.002, if the automobile is designed and used for carrying more than nine persons including the driver; and

(2) intended to be used primarily to transport tangible personal property or individuals, other than employees, to whom the organization provides service in performing its charitable, religious, or educational purpose.

(d) A limited liability company also qualifies for exemption under this subdivision if (1) it consists of a sole member that would qualify for the exemption, and (2) the items purchased qualify for the exemption.

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

Sec. 24. Minnesota Statutes 2016, section 297A.70, subdivision 16, is amended to read:

Subd. 16. **Camp fees.** Fees to camps or other recreation facilities are exempt for:

- (1) services primarily for children, adults accompanying children, or persons with ~~disabilities~~ a disability; or
- (2) educational or religious activities;

~~and~~ if the camp or facilities are owned and operated by an exempt organization under section 501(c)(3) of the Internal Revenue Code.

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

Sec. 25. Minnesota Statutes 2016, section 297A.71, subdivision 22, is amended to read:

Subd. 22. **Materials used to make residential property ~~disabled~~ accessible to persons with a disability.** Building materials and equipment sold to, or stored, used, or consumed by, a nonprofit organization are exempt if:

- (1) the materials and equipment are used or incorporated into modifying an existing residential structure to make it ~~disabled~~ accessible to persons with a disability; and
- (2) the materials and equipment used in the modification would qualify for an exemption under either subdivision 11 or 12 if made by the current owner of the residence.

For purposes of this subdivision, "nonprofit organization" means any nonprofit corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, educational, or civic purposes; or a veterans' group exempt from federal taxation under section 501(c), clause (19), of the Internal Revenue Code.

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

Sec. 26. Minnesota Statutes 2017 Supplement, section 297A.75, subdivision 1, is amended to read:

Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the following exempt items must be imposed and collected as if the sale were taxable and the rate under section 297A.62, subdivision 1, applied. The exempt items include:

- (1) building materials for an agricultural processing facility exempt under section 297A.71, subdivision 13;
- (2) building materials for mineral production facilities exempt under section 297A.71, subdivision 14;
- (3) building materials for correctional facilities under section 297A.71, subdivision 3;
- (4) building materials used in a residence for ~~disabled~~ veterans with a disability exempt under section 297A.71, subdivision 11;
- (5) elevators and building materials exempt under section 297A.71, subdivision 12;

- (6) materials and supplies for qualified low-income housing under section 297A.71, subdivision 23;
- (7) materials, supplies, and equipment for municipal electric utility facilities under section 297A.71, subdivision 35;
- (8) equipment and materials used for the generation, transmission, and distribution of electrical energy and an aerial camera package exempt under section 297A.68, subdivision 37;
- (9) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, paragraph (a), clause (10);
- (10) materials, supplies, and equipment for construction or improvement of projects and facilities under section 297A.71, subdivision 40;
- (11) materials, supplies, and equipment for construction, improvement, or expansion of:
 - (i) an aerospace defense manufacturing facility exempt under Minnesota Statutes 2014, section 297A.71, subdivision 42;
 - (ii) a biopharmaceutical manufacturing facility exempt under section 297A.71, subdivision 45;
 - (iii) a research and development facility exempt under Minnesota Statutes 2014, section 297A.71, subdivision 46; and
 - (iv) an industrial measurement manufacturing and controls facility exempt under Minnesota Statutes 2014, section 297A.71, subdivision 47;
- (12) enterprise information technology equipment and computer software for use in a qualified data center exempt under section 297A.68, subdivision 42;
- (13) materials, supplies, and equipment for qualifying capital projects under section 297A.71, subdivision 44, paragraph (a), clause (1), and paragraph (b);
- (14) items purchased for use in providing critical access dental services exempt under section 297A.70, subdivision 7, paragraph (c);
- (15) items and services purchased under a business subsidy agreement for use or consumption primarily in greater Minnesota exempt under section 297A.68, subdivision 44;
- (16) building materials, equipment, and supplies for constructing or replacing real property exempt under section 297A.71, subdivision 49; and
- (17) building materials, equipment, and supplies for constructing or replacing real property exempt under section 297A.71, subdivision 50, paragraph (b).

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

Sec. 27. Minnesota Statutes 2016, section 297B.01, subdivision 14, is amended to read:

Subd. 14. **Purchase price.** (a) "Purchase price" means the total consideration valued in money for a sale, whether paid in money or otherwise. The purchase price excludes the amount of a manufacturer's rebate paid or payable to the purchaser. If a motor vehicle is taken in trade as a credit or as part payment on a motor vehicle taxable under this chapter, the credit or trade-in value allowed by the person selling the motor vehicle shall be

deducted from the total selling price to establish the purchase price of the vehicle being sold and the trade-in allowance allowed by the seller shall constitute the purchase price of the motor vehicle accepted as a trade-in. The purchase price in those instances where the motor vehicle is acquired by gift or by any other transfer for a nominal or no monetary consideration shall also include the average value of similar motor vehicles, established by standards and guides as determined by the motor vehicle registrar. The purchase price in those instances where a motor vehicle is manufactured by a person who registers it under the laws of this state shall mean the manufactured cost of such motor vehicle and manufactured cost shall mean the amount expended for materials, labor, and other properly allocable costs of manufacture, except that in the absence of actual expenditures for the manufacture of a part or all of the motor vehicle, manufactured costs shall mean the reasonable value of the completed motor vehicle.

(b) The term "purchase price" shall not include the portion of the value of a motor vehicle due solely to modifications necessary to make the motor vehicle ~~disability~~ accessible to persons with a disability.

(c) The term "purchase price" shall not include the transfer of a motor vehicle by way of gift between ~~a husband and wife~~ spouses or parent and child, or to a nonprofit organization as provided under subdivision 16, paragraph (c), clause (6), nor shall it include the transfer of a motor vehicle by a guardian to a ward when there is no monetary consideration and the title to such vehicle was registered in the name of the guardian, as guardian, only because the ward was a minor.

(d) The term "purchase price" shall not include the transfer of a motor vehicle as a gift between a foster parent and foster child. For purposes of this subdivision, a foster relationship exists, regardless of the age of the child, if (1) a foster parent's home is or was licensed as a foster family home under Minnesota Rules, parts 2960.3000 to 2960.3340, and (2) the county verifies that the child was a state ward or in permanent foster care.

(e) There shall not be included in "purchase price" the amount of any tax imposed by the United States upon or with respect to retail sales whether imposed upon the retailer or the consumer.

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

Sec. 28. Minnesota Statutes 2017 Supplement, section 297B.01, subdivision 16, is amended to read:

Subd. 16. **Sale, sells, selling, purchase, purchased, or acquired.** (a) "Sale," "sells," "selling," "purchase," "purchased," or "acquired" means any transfer of title of any motor vehicle, whether absolutely or conditionally, for a consideration in money or by exchange or barter for any purpose other than resale in the regular course of business.

(b) Any motor vehicle utilized by the owner only by leasing such vehicle to others or by holding it in an effort to so lease it, and which is put to no other use by the owner other than resale after such lease or effort to lease, shall be considered property purchased for resale.

(c) The terms also shall include any transfer of title or ownership of a motor vehicle by other means, for or without consideration, except that these terms shall not include:

(1) the acquisition of a motor vehicle by inheritance from or by bequest of, or transfer-on-death of title by, a decedent who owned it;

(2) the transfer of a motor vehicle which was previously licensed in the names of two or more joint tenants and subsequently transferred without monetary consideration to one or more of the joint tenants;

(3) the transfer of a motor vehicle by way of gift from a limited used vehicle dealer licensed under section 168.27, subdivision 4a, to an individual, when the transfer is with no monetary or other consideration or expectation of consideration and the parties to the transfer submit an affidavit to that effect at the time the title transfer is recorded;

(4) the transfer of a motor vehicle by gift between:

(i) spouses;

(ii) parents and a child; or

(iii) grandparents and a grandchild;

(5) the voluntary or involuntary transfer of a motor vehicle between ~~a husband and wife~~ spouses in a divorce proceeding; or

(6) the transfer of a motor vehicle by way of a gift to an organization that is exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code when the motor vehicle will be used exclusively for religious, charitable, or educational purposes.

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

Sec. 29. Laws 2017, First Special Session chapter 1, article 8, section 3, the effective date, is amended to read:

EFFECTIVE DATE. This section is effective for (1) petitions and appeals filed after June 30, 2017, for which notices of entry of order are mailed before July 1, 2018, and (2) notices of entry of order mailed after June 30, 2018.

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

Delete the title and insert:

"A bill for an act relating to financing of state and local government; providing onetime compensation and school aid; making changes to conform with certain federal tax law changes; making policy and technical changes to individual income taxes, corporate franchise taxes, estate taxes, sales and use taxes, property taxes, tobacco taxes, minerals taxes, local taxes, and other miscellaneous taxes and tax-related provisions; modifying provisions related to local government aids and credits; appropriating money; amending Minnesota Statutes 2016, sections 103E.611, subdivision 2; 116J.8737, subdivisions 5, 12; 122A.61, subdivision 1; 138.053; 162.145, subdivision 3; 197.603, subdivision 2; 270.41, subdivision 3; 270B.08, subdivision 2; 270C.85, subdivision 2; 270C.89, subdivision 2; 270C.91; 272.02, subdivisions 27, 81, by adding a subdivision; 273.032; 273.061, subdivision 9; 273.113, subdivision 3; 273.119, subdivision 2; 273.1231, subdivision 3; 273.124, subdivisions 3a, 8, 14, 21, by adding a subdivision; 273.1245, subdivision 2; 273.13, subdivision 35; 273.136, subdivision 2; 273.1384, subdivision 3; 273.18; 274.14; 274.16; 275.025, by adding subdivisions; 282.01, subdivision 6; 287.21, subdivision 1; 289A.08, subdivisions 1, 6, 7; 289A.20, by adding a subdivision; 289A.25, subdivision 1; 289A.31, subdivision 2; 289A.37, subdivision 6; 289A.38, subdivision 10; 289A.42; 289A.60, subdivision 24; 290.01, subdivision 29a, by adding subdivisions; 290.0131, subdivisions 1, 3, 12, 13, by adding subdivisions; 290.0132, subdivisions 1, 7, 20, by adding subdivisions; 290.0133, subdivision 6; 290.0134, by adding subdivisions; 290.0136; 290.032, subdivision 2; 290.05, subdivision 3; 290.06, subdivisions 1, 2c, 2d; 290.0671, subdivision 7; 290.0672, subdivision 2; 290.0681, subdivisions 3, 4; 290.0685, subdivision 1, by adding a subdivision; 290.0802, subdivisions 2, 3; 290.091, subdivision 3; 290.0921, subdivision 8; 290.0922, subdivision 1; 290.095, subdivision 4; 290.21, subdivision 4, by adding a subdivision; 290.34, by adding subdivisions; 290.92, subdivisions 1, 28; 290A.03, subdivisions 4, 12; 290A.04, subdivisions 2, 2a, 4; 290A.05; 290A.08; 290A.09; 290B.04, subdivision 1; 290B.09, subdivision 1; 291.03, subdivisions 8, 10; 297A.61, subdivision 18; 297A.67, subdivision 12; 297A.68, subdivisions 17, 25, 44; 297A.70, subdivisions 3, 7, 16, by adding a subdivision; 297A.71, subdivisions 22, 45, by adding subdivisions; 297A.77, by adding a subdivision; 297A.84; 297A.85; 297B.01, subdivision 14; 297B.03; 297F.01, subdivisions 19, 23, by adding a subdivision; 297F.17, subdivision 6; 297G.16, subdivision 7; 298.225, subdivision 1; 298.28, subdivision 9a; 469.171, subdivision 4; 469.177, subdivision 1; 469.1812, subdivision 1, by adding subdivisions;

469.316, subdivision 1; 469.317; 469.319, subdivision 4; 471.831; 473H.08, subdivisions 1, 4, by adding a subdivision; 474A.02, subdivision 22b; 475.521, subdivision 1; 477A.013, subdivision 13; 477A.016; Minnesota Statutes 2017 Supplement, sections 16A.152, subdivision 2; 270A.03, subdivision 5; 270C.445, subdivision 6; 270C.89, subdivision 1; 272.115, subdivision 1; 273.0755; 273.13, subdivisions 22, 23, 34; 273.1384, subdivision 2; 273.1387, subdivision 3; 275.025, subdivision 1; 289A.02, subdivision 7; 289A.12, subdivision 14; 289A.31, subdivision 1; 289A.35; 289A.37, subdivision 2; 290.01, subdivisions 4a, 19, 31; 290.0131, subdivision 10; 290.0132, subdivisions 21, 26; 290.0133, subdivision 12; 290.0137; 290.05, subdivision 1; 290.067, subdivisions 1, 2b; 290.0671, subdivision 1; 290.0672, subdivision 1; 290.0674, subdivision 2a; 290.0681, subdivisions 1, 2; 290.0684, subdivision 2; 290.091, subdivision 2; 290.17, subdivisions 2, 4; 290.31, subdivision 1; 290A.03, subdivisions 3, 8, 13, 15; 291.005, subdivision 1; 291.03, subdivisions 9, 11; 297A.67, subdivision 6; 297A.70, subdivisions 4, 20; 297A.75, subdivision 1; 297B.01, subdivision 16; 298.17; 298.227; 462D.03, subdivision 2; 462D.06, subdivisions 1, 2; 473.39, subdivision 6; Laws 1986, chapter 379, sections 1, subdivisions 1, 3; 2, subdivision 1; Laws 1986, chapter 396, section 5, as amended; Laws 1986, chapter 462, section 31, as amended; Laws 2008, chapter 366, article 5, sections 26, as amended; 33, as amended; Laws 2009, chapter 88, article 2, section 46, subdivisions 1, as amended, 2, 3, as amended, 4, 5; Laws 2011, First Special Session chapter 7, article 4, section 10, subdivision 3; Laws 2017, First Special Session chapter 1, article 3, section 32; article 4, section 31; article 8, section 3; article 10, section 4; proposing coding for new law in Minnesota Statutes, chapters 289A; 290; 469; repealing Minnesota Statutes 2016, sections 275.29; 289A.38, subdivisions 7, 8, 9; 290.0131, subdivisions 7, 11; 290.0133, subdivisions 13, 14; 290.067, subdivision 2a; 290.0921, subdivisions 1, 2, 3, 3a, 4, 6; 290.10, subdivision 2."

We request the adoption of this report and repassage of the bill.

House Conferees: JENIFER LOON, SONDRERICKSON, PEGGY BENNETT and RON KRESHA.

Senate Conferees: CARLA J. NELSON, ERIC R. PRATT, JUSTIN EICHORN and BILL WEBER.

Loon moved that the report of the Conference Committee on H. F. No. 947 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

H. F. No. 947, A bill for an act relating to education finance; clarifying the calculation of general education aid; amending Minnesota Statutes 2016, section 126C.13, subdivision 4.

The bill was read for the third time, as amended by Conference, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called. There were 85 yeas and 42 nays as follows:

Those who voted in the affirmative were:

Albright	Bennett	Ecklund	Grossell	Hoppe	Kresha
Anderson, P.	Bliss	Erickson	Gruenhagen	Howe	Layman
Anderson, S.	Christensen	Fabian	Gunther	Jessup	Lien
Anselmo	Daniels	Fenton	Haley	Johnson, B.	Lohmer
Backer	Davids	Franke	Hamilton	Jurgens	Loon
Bahr, C.	Dean, M.	Franson	Hansen	Kiel	Loonan
Baker	Dettmer	Garofalo	Heintzeman	Knoblach	Lucero
Barr, R.	Drazkowski	Green	Hertaus	Koznick	Lueck

Marquart	Nornes	Pierson	Runbeck	Torkelson	Zerwas
Miller	O'Driscoll	Poppe	Schomacker	Uglen	Spk. Daudt
Munson	O'Neill	Poston	Scott	Urdahl	
Murphy, M.	Pelowski	Pryor	Smith	Vogel	
Nash	Peppin	Pugh	Sundin	West	
Neu	Petersburg	Quam	Swedzinski	Whelan	
Newberger	Peterson	Rarick	Theis	Wills	

Those who voted in the negative were:

Allen	Davnie	Hilstrom	Liebling	Metsa	Sandstede
Bernardy	Dehn, R.	Hortman	Lillie	Moran	Sauke
Bly	Fischer	Johnson, C.	Loeffler	Nelson	Schultz
Carlson, A.	Flanagan	Koegel	Mahoney	Olson	Slocum
Carlson, L.	Freiberg	Kunesh-Podein	Mariani	Omar	Wagenius
Clark	Halverson	Lee	Masin	Pinto	Ward
Considine	Hausman	Lesch	Maye Quade	Rosenthal	Youakim

The bill was repassed, as amended by Conference, and its title agreed to.

The Speaker resumed the Chair.

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

RECESS

RECONVENED

The House reconvened and was called to order by Speaker pro tempore Albright.

Flanagan was excused between the hours of 5:10 p.m. and 5:30 p.m.

The following Conference Committee Reports were received:

CONFERENCE COMMITTEE REPORT ON H. F. No. 740

A bill for an act relating to commerce; regulating motor vehicle franchises; specifying warranty and recall obligations; providing unfair practices by manufacturers, distributors, and factory branches; amending Minnesota Statutes 2016, sections 80E.11, subdivision 7; 80E.13; 80E.16, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 80E; repealing Minnesota Statutes 2016, section 80E.04.

May 20, 2018

The Honorable Kurt L. Daudt
Speaker of the House of Representatives

The Honorable Michelle L. Fischbach
President of the Senate

We, the undersigned conferees for H. F. No. 740 report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendment and that H. F. No. 740 be further amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. **[80E.041] WARRANTY OBLIGATIONS TO DEALERS.**

Subdivision 1. **Requirements.** Each new motor vehicle manufacturer shall specify in writing to each of its new motor vehicle dealers licensed in this state the dealer's obligations for preparation, delivery, and warranty service on its products. The manufacturer shall compensate the new motor vehicle dealer for warranty service parts and labor required of the new motor vehicle dealer by the manufacturer. Compensation for parts used in warranty service must include the motor vehicle dealer's actual cost of the part plus a reasonable percentage markup or be calculated as described in subdivision 2 at the election of the dealer. Compensation for labor used in warranty service must be reasonable and may at the election of the dealer be determined as described in subdivision 4. This section applies to all warranty repair service performed by the dealer for the manufacturer or with the approval of the manufacturer and for which the dealer is entitled to compensation or reimbursement from the manufacturer.

Subd. 2. **Retail rate for parts.** (a) The dealer may establish a percentage markup to be applied to the cost of warranty parts by submitting 100 sequential nonwarranty customer-paid service repair orders to the manufacturer which contain warranty-like repairs, or 90 consecutive days of nonwarranty customer-paid service repair orders which contain warranty-like repairs, whichever is less, covering repairs made no more than 180 days before the submission.

(b) A dealer's retail rate for parts shall be calculated by determining the dealer's total parts sales in the submitted service repair orders under paragraph (a) and dividing that amount by the dealer's total cost to purchase the parts, subtracting one from that amount, and then multiplying by 100. A manufacturer may disapprove a dealer's retail rate if:

(1) the disapproval is provided to the dealer in writing;

(2) the disapproval is sent to the dealer within 30 days of the submission of the retail rate by the dealer to the manufacturer;

(3) the disapproval includes a reasonable substantiation that the retail rate submission is inaccurate, incomplete, or unreasonable in light of a comparison to the retail rate charged by other similarly situated franchised motor vehicle dealers in a comparable geographic area in the state offering the same line-make of vehicles; and

(4) the manufacturer proposes an adjustment of the retail rate.

(c) If a manufacturer fails to approve or disapprove the retail rate within this time period, the retail rate is approved. If a manufacturer disapproves a dealer's retail rate, and the dealer does not agree to the manufacturer's proposed adjustment, the parties shall use the manufacturer's internal dispute resolution procedure, if any, within a

reasonable time after the dealer notifies the manufacturer of their failure to agree. If the manufacturer's internal dispute resolution procedure is unsuccessful, or if the procedure is not implemented within a reasonable time after the dealer notifies the manufacturer of their failure to agree, the dealer may use the civil remedies available under section 80E.17. A dealer must file a civil suit under section 80E.17, as permitted by this subdivision, within 60 days of receiving the manufacturer's proposed adjustment to the retail rate, or the conclusion of the manufacturer's internal dispute resolution procedure, whichever is later.

(d) Charges for the following do not qualify as warranty-like repairs and are excluded from the calculations under this subdivision and subdivision 4:

(1) repairs including parts and labor for manufacturer or distributor special events, specials, or promotional discounts for retail customer repairs;

(2) parts sold at wholesale;

(3) engine assemblies and transmission assemblies if the new motor vehicle dealer agrees to be compensated for those assemblies with a handling charge instead of a retail parts markup;

(4) parts and labor to perform routine maintenance generally performed at predetermined intervals to keep a vehicle operating properly and not covered under any retail customer warranty, such as fluids, filters, and belts not provided in the course of repairs;

(5) nuts, bolts, fasteners, and similar items that do not have an individual part number;

(6) tires and labor to install or repair;

(7) parts and labor to perform vehicle reconditioning; and

(8) accessories.

Subd. 3. Parts at no cost or reduced cost. If a manufacturer furnishes a new part to a dealer at no cost or at a reduced cost for use in performing repairs under this section, the manufacturer shall compensate the dealer the amount paid for the part, if any, plus an amount equal to the dealer's established percentage markup multiplied by the fair wholesale value of the part. The fair wholesale value of the part is the maximum of:

(1) the amount the dealer paid for the part or a substantially identical part if already owned by the dealer;

(2) the cost of the part shown in a current manufacturer's established price schedule; and

(3) the cost of a substantially identical part shown in a current manufacturer's established price schedule.

Subd. 4. Retail rate for labor. (a) Compensation for warranty labor must equal the dealer's effective nonwarranty labor rate multiplied by the time allowances recognized by the manufacturer to compensate its dealers for warranty work. The effective nonwarranty labor rate is determined by dividing the total customer labor charges for qualifying nonwarranty repairs in the repair orders submitted under subdivision 2 by the total number of labor hours that generated those sales. Compensation for warranty labor must include reasonable diagnostic time for repairs performed under this section.

(b) A manufacturer may disapprove a dealer's effective nonwarranty labor rate if:

(1) the disapproval is provided to the dealer in writing;

(2) the disapproval is sent to the dealer within 30 days of the submission of the effective nonwarranty labor rate by the dealer to the manufacturer;

(3) the disapproval includes a reasonable substantiation that the effective nonwarranty labor rate submission is inaccurate, incomplete, or unreasonable in light of a comparison to the retail rate charged by other similarly situated franchised motor vehicle dealers in a comparable geographic area in the state offering the same line-make vehicles; and

(4) the manufacturer proposes an adjustment of the effective nonwarranty labor rate.

(c) If a manufacturer fails to approve or disapprove the rate within this time period, the rate is approved. If a manufacturer disapproves a dealer's effective nonwarranty labor rate, and the dealer does not agree to the manufacturer's proposed adjustment, the parties shall use the manufacturer's internal dispute resolution procedure, if any, within a reasonable time after the dealer notifies the manufacturer of their failure to agree. If the manufacturer's internal dispute resolution procedure is unsuccessful, or if the procedure is not implemented within a reasonable time after the dealer notifies the manufacturer of their failure to agree, the dealer may use the civil remedies available under section 80E.17. A dealer must file a civil suit under section 80E.17, as permitted by this subdivision, within 60 days of receiving the manufacturer's proposed adjustment to the effective nonwarranty labor rate, or the conclusion of the manufacturer's internal dispute resolution procedure, whichever is later.

Subd. 5. Time for establishing rate. A dealer shall not be permitted to establish a retail rate for parts or labor more than once per year.

Subd. 6. Requirements for cost recovery. (a) Except as provided under paragraph (b), a manufacturer shall not otherwise recover its costs under this section from dealers within this state, including but not limited to a surcharge imposed on a dealer, solely intended to recover the cost of reimbursing a dealer for parts and labor pursuant to this section.

(b) A manufacturer may recover its cost for reimbursing a dealer for parts and labor pursuant to this section if:

(1) the manufacturer provides written notice at least 60 days in advance of the implementation of cost recovery;

(2) the notice includes substantiation of the reasonableness of the cost recovery to be implemented, including by reference to a comparison to the retail rate charged by other similarly situated franchised motor vehicle dealers in a comparable geographic area in the state offering the same line-make of vehicles.

If the dealer does not agree to the amount of the manufacturer's cost recovery, the parties shall use the manufacturer's internal dispute resolution procedure, if any, within a reasonable time after the dealer notifies the manufacturer of its failure to agree. If the dealer is not satisfied with the result of the manufacturer's internal dispute resolution procedure or if, due to the manufacturer, the procedure is not initiated within a reasonable time after the dealer notifies the manufacturer of its failure to agree, the dealer may file a civil suit under section 80E.17, as permitted by this subdivision, within 60 days of receiving the notice that cost recovery will be implemented, or the conclusion of the manufacturer's internal dispute resolution procedure, whichever is later.

(c) Cost recovery must not be implemented by a manufacturer pending conclusion of the process set forth under paragraph (b) in the case of dealer disagreement with the amount of cost recovery. If cost recovery is allowed at the conclusion of such process, it may be implemented retroactively from the date provided in the notice given under paragraph (b), clause (1).

(d) As an alternative to the dispute resolution process in paragraph (b), or during the pendency of the dispute resolution process in paragraph (b), the dealer may reduce its retail rate and request that the manufacturer recalculate the amount of cost recovery or abandon the implementation of cost recovery.

(e) Nothing in this subdivision prohibits a manufacturer from increasing prices for vehicles or parts in the normal course of business.

Subd. 7. **Fewer than five dealers in state.** If a manufacturer has fewer than five dealers in the state offering the same line-make of vehicle, the comparisons set forth in subdivision 2, paragraph (b), clause (3); subdivision 4, paragraph (b), clause (3); and subdivision 6, paragraph (b), clause (2), may be made by reference to similarly situated franchised motor vehicle dealers in a comparable geographic area in the United States offering the same line-make of vehicle.

Subd. 8. **Payment of claims.** (a) All claims made by new motor vehicle dealers under this section for labor and parts must be paid within 30 days of their approval. Claims must be either approved or disapproved within 30 days after they are submitted to the manufacturer in the manner and on the forms it prescribes. Any claims not specifically disapproved in writing within 30 days after the manufacturer receives them are deemed to be approved and payment must follow within 30 days, provided, however, that the manufacturer retains the right to audit the claims for a period of one year and to charge back any amounts paid on claims not reasonably substantiated or fraudulent claims. The manufacturer has the burden of proving that a claim is not reasonably substantiated or fraudulent.

(b) The audit and charge back provisions of this subdivision also apply to all other incentive and reimbursement programs that are subject to audit by the manufacturer.

(c) A manufacturer shall not deny a claim submitted under this section or charge back a claim or payment based solely on the dealer's incidental failure to comply with a claim processing procedure, a clerical error, or other administrative technicality, provided that the failure does not call into question the legitimacy of the claim. The manufacturer shall allow the dealer to resubmit the claim according to reasonable guidelines not later than 30 days after the dealer receives notice of the initial claim denial or charge back.

Subd. 9. **Product liability; limitation.** As between the dealer and the manufacturer, the obligations imposed by this section constitute the dealer's only responsibility for product liability based in whole or in part on strict liability in tort.

Subd. 10. **Definitions.** For purposes of this section, the term "manufacturer" includes "distributor" and includes manufacturers and distributors of motor vehicle engines. Dealer includes dealers of new motor vehicles and motor vehicle engines.

Subd. 11. **Violations.** It is a violation of this section for any new motor vehicle manufacturer to fail to perform any warranty obligations that it undertakes under the motor vehicle manufacturer's warranty.

Sec. 2. **[80E.045] RECALL REPAIRS; MANUFACTURER AND DEALER OBLIGATIONS.**

Subdivision 1. **Requirements.** (a) A manufacturer shall compensate its new motor vehicle dealers for all labor and parts required to perform recall repairs. Compensation for recall repairs must be reasonable and be consistent with section 80E.041. If parts or a remedy are not reasonably available to perform a recall service or repair on a vehicle held for sale by a dealer authorized to sell new motor vehicles of the same line-make within 30 days of the manufacturer issuing the initial notice of recall to the new motor vehicle dealer and the manufacturer has issued a stop-sale or do-not-drive order on the vehicle, the manufacturer shall compensate the dealer at a prorated rate of at least 1.25 percent of the value of the vehicle per month beginning on the later of either the date that is 30 days after the date on which the stop-sale or do-not-drive order was provided to the dealer, or the date the vehicle was taken into the dealer's used vehicle inventory, until the earlier of either of the following:

(1) the date the recall or remedy parts are made available; or

(2) the date the dealer sells, trades, or otherwise disposes of the affected used motor vehicle.

(b) A stop-sale or do-not-drive order means a notification issued by a vehicle manufacturer to its franchised dealerships stating that certain used vehicles in inventory shall not be sold or leased at retail or wholesale due to a federal safety recall for a defect or a noncompliance or a federal emissions recall.

Subd. 2. **Value of vehicle.** The value of a used vehicle is the average trade-in value for used vehicles as indicated in an independent third-party guide for the year, make, and model of the recalled vehicle.

Subd. 3. **Application.** This section applies only to:

(1) used vehicles subject to safety or emissions recalls pursuant to and recalled in accordance with federal law and regulations adopted thereunder and where a stop-sale or do-not-drive order has been issued and repair parts or remedy remain unavailable for 30 days or longer; and

(2) new motor vehicle dealers holding affected used vehicles for sale that are a line-make that the dealer is franchised to sell or which the dealer is authorized to perform recall repairs, and which:

(i) are in inventory at the time the "stop-sale" order was issued; or

(ii) were taken in the used vehicle inventory of the dealer as a consumer trade-in incident to the purchase of a new or certified preowned used vehicle from the dealer after the stop-sale or do-not-drive order was issued.

Subd. 4. **Violations.** Subject to the audit provisions of section 80E.041, it is a violation of this section for a manufacturer to reduce the amount of compensation otherwise owed to an individual new motor vehicle dealer, whether through a charge back, removal of the individual dealer from an incentive program, reduction in amount owed under an incentive program, or any other means, solely because the new motor vehicle dealer has submitted a claim for reimbursement under this section.

Subd. 5. **Payment of claims.** (a) All reimbursement claims made by new motor vehicle dealers pursuant to this section for recall remedies or repairs or for compensation where no part or repair is reasonably available and the vehicle is subject to a stop-sale or do-not-drive order must be subject to the same limitations and requirements as a warranty reimbursement claim made under section 80E.041. Claims must be either approved or disapproved within 30 days after they are submitted to the manufacturer in the manner and on the forms the manufacturer reasonably prescribes. All claims shall be paid within 90 days of approval of the claim by the manufacturer. Any claim not specifically disapproved in writing within 30 days after the manufacturer receives them shall be deemed to be approved.

(b) As an alternative to paragraph (a), a manufacturer may compensate its franchised dealers under a national recall compensation program provided the compensation under the program is equal to or greater than that provided under subdivision 1, or the manufacturer and dealer otherwise agree.

Subd. 6. **Inventory.** A manufacturer may direct the manner and method in which a new motor vehicle dealer must demonstrate the inventory status of an affected used motor vehicle to determine eligibility for compensation under this section, provided that the manner and method may not be unduly burdensome and may not require information that is unduly burdensome to provide.

Subd. 7. **Total compensation.** Nothing in this section shall require a manufacturer to provide total compensation to a new motor vehicle dealer which would exceed the total average trade-in value of the affected used motor vehicle.

Subd. 8. **Exclusive remedy.** Any remedy provided to a new motor vehicle dealer under this section is exclusive and may not be combined with any other state or federal remedy.

Sec. 3. Minnesota Statutes 2016, section 80E.11, subdivision 7, is amended to read:

Subd. 7. **Succession agreements.** Notwithstanding the foregoing, A new motor vehicle dealer may apply to a manufacturer, distributor, or factory branch to designate a proposed dealer operator as a successor dealer to be established in the event of the death or incapacity of the new motor vehicle dealer. A manufacturer, distributor, or factory branch may not deny the proposed successor unless the proposed change would result in executive management control by a person who is not of good moral character or who does not meet the franchisor's existing reasonable capital standards or does not meet the franchisor's uniformly applied minimum business experience standards to be a franchised new motor vehicle dealer. If a manufacturer, distributor, or factory branch determines to deny a dealer's application to name a successor, such denial must be in writing, must offer an explanation of the grounds for the denial addressing the criteria contained in this subdivision, and must be delivered to the new motor vehicle dealer within 90 days after the manufacturer, distributor, or factory branch receives the completed application or documents customarily used by the manufacturer, distributor, or factory branch for dealer actions described in this subdivision. If a denial that meets the requirements of this subdivision is not sent within the 90-day period, the manufacturer, distributor, or factory branch shall be deemed to have given its consent to the proposed successor. In the event the new motor vehicle dealer and franchisor have duly executed an agreement concerning succession rights prior to the dealer's death, the agreement shall be observed, even if it designates an individual other than the surviving spouse or heirs of the franchised motor vehicle dealer. Notwithstanding the foregoing, the franchisor shall not be required to accept a successor approved or deemed approved under this section if the franchisor can demonstrate that the proposed successor, at the time of the succession, would result in executive management control by a person who is not of good moral character, or who does not meet the franchisor's existing reasonable capital standards, or does not meet the franchisor's uniformly applied minimum business experience standards to be a franchised new motor vehicle dealer.

Sec. 4. Minnesota Statutes 2016, section 80E.13, is amended to read:

80E.13 UNFAIR PRACTICES BY MANUFACTURERS, DISTRIBUTORS, FACTORY BRANCHES.

It is unlawful and an unfair practice for a manufacturer, distributor, or factory branch to engage in any of the following practices:

(a) delay, refuse, or fail to deliver new motor vehicles or new motor vehicle parts or accessories in reasonable time and in reasonable quantity relative to the new motor vehicle dealer's facilities and sales potential in the dealer's relevant market area, after having accepted an order from a new motor vehicle dealer having a franchise for the retail sale of any new motor vehicle sold or distributed by the manufacturer or distributor, if the new motor vehicle or new motor vehicle parts or accessories are publicly advertised as being available for delivery or actually being delivered. This clause is not violated, however, if the failure is caused by acts or causes beyond the control of the manufacturer;

(b) refuse to disclose to any new motor vehicle dealer handling the same line make, the manner and mode of distribution of that line make within the relevant market area;

(c) obtain money, goods, service, or any other benefit from any other person with whom the dealer does business, on account of, or in relation to, the transaction between the dealer and the other person, other than for compensation for services rendered, unless the benefit is promptly accounted for, and transmitted to, the new motor vehicle dealer;

(d) increase prices of new motor vehicles which the new motor vehicle dealer had ordered for private retail consumers prior to the dealer's receiving the written official price increase notification. A sales contract signed by a private retail consumer shall constitute evidence of each order if the vehicle is in fact delivered to that customer. In the event of manufacturer price reductions, the amount of any reduction received by a dealer shall be passed on to the private retail consumer by the dealer if the retail price was negotiated on the basis of the previous higher price to the dealer;

(e) offer any refunds or other types of inducements to any new motor vehicle dealer for the purchase of new motor vehicles of a certain line make without making the same offer to all other new motor vehicle dealers in the same line make within geographic areas reasonably determined by the manufacturer;

(f) release to any outside party, except under subpoena or in an administrative or judicial proceeding involving the manufacturer or dealer, any business, financial, or personal information which may be provided by the dealer to the manufacturer, without the express written consent of the dealer or unless pertinent to judicial or governmental administrative proceedings or to arbitration proceedings of any kind;

(g) deny any new motor vehicle dealer the right of free association with any other new motor vehicle dealer for any lawful purpose;

(h) unfairly discriminate among its new motor vehicle dealers with respect to warranty reimbursement or authority granted its new vehicle dealers to make warranty adjustments with retail customers;

(i) compete with a new motor vehicle dealer in the same line make operating under an agreement or franchise from the same manufacturer, distributor, or factory branch. A manufacturer, distributor, or factory branch is considered to be competing when it has an ownership interest, other than a passive interest held for investment purposes, in a dealership of its line make located within the state. A manufacturer, distributor, or factory branch shall not, however, be deemed to be competing when operating a dealership, either temporarily or for a reasonable period, which is for sale to any qualified independent person at a fair and reasonable price, or when involved in a bona fide relationship in which an independent person has made a significant investment subject to loss in the dealership and can reasonably expect to acquire full ownership and full management and operational control of the dealership within a reasonable time on reasonable terms and conditions;

(j) prevent a new motor vehicle dealer from transferring or assigning a new motor vehicle dealership to a qualified transferee. There shall be no transfer, assignment of the franchise, or major change in the executive management of the dealership, except as is otherwise provided in sections 80E.01 to 80E.17, without consent of the manufacturer, which shall not be withheld without good cause. In determining whether good cause exists for withholding consent to a transfer or assignment, the manufacturer, distributor, factory branch, or importer has the burden of proving that the transferee is a person who is not of good moral character or does not meet the franchisor's existing and reasonable capital standards and, considering the volume of sales and service of the new motor vehicle dealer, reasonable business experience standards in the market area. Denial of the request must be in writing and delivered to the new motor vehicle dealer within 60 days after the manufacturer receives the completed application customarily used by the manufacturer, distributor, factory branch, or importer for dealer appointments. If a denial is not sent within this period, the manufacturer shall be deemed to have given its consent to the proposed transfer or change. In the event of a proposed sale or transfer of a franchise, the manufacturer, distributor, factory branch, or importer shall be permitted to exercise a right of first refusal to acquire the franchisee's assets or ownership if:

(1) the franchise agreement permits the manufacturer, distributor, factory branch, or importer to exercise a right of first refusal to acquire the franchisee's assets or ownership in the event of a proposed sale or transfer;

(2) the proposed transfer of the dealership or its assets is of more than 50 percent of the ownership or assets;

(3) the manufacturer, distributor, factory branch, or importer notifies the dealer in writing within 60 days of its receipt of the complete written proposal for the proposed sale or transfer on forms generally utilized by the manufacturer, distributor, factory branch, or importer for such purposes and containing the information required therein and all documents and agreements relating to the proposed sale or transfer;

(4) the exercise of the right of first refusal will result in the dealer and dealer's owners receiving the same or greater consideration with equivalent terms of sale as is provided in the documents and agreements submitted to the manufacturer, distributor, factory branch, or importer under clause (3);

(5) the proposed change of 50 percent or more of the ownership or of the dealership assets does not involve the transfer or sale of assets or the transfer or issuance of stock by the dealer or one or more dealer owners to a family member, including a spouse, child, stepchild, grandchild, spouse of a child or grandchild, brother, sister, or parent of the dealer owner; to a manager who has been employed in the dealership for at least four years and is otherwise qualified as a dealer operator; or to a partnership or corporation owned and controlled by one or more of such persons; and

(6) the manufacturer, distributor, factory branch, or importer agrees to pay the reasonable expenses, including reasonable attorney fees, which do not exceed the usual customary and reasonable fees charged for similar work done for other clients incurred by the proposed new owner and transferee before the manufacturer, distributor, factory branch, or importer exercises its right of first refusal, in negotiating and implementing the contract for the proposed change of ownership or transfer of dealership assets. However, payment of such expenses and attorney fees shall not be required if the dealer has not submitted or caused to be submitted an accounting of those expenses within 20 days after the dealer's receipt of the manufacturer, distributor, factory branch, or importer's written request for such an accounting. The manufacturer, distributor, factory branch, or importer may request such an accounting before exercising its right of first refusal. The obligation created under this clause is enforceable by the transferee;

(k) threaten to modify or replace or modify or replace a franchise with a succeeding franchise that would adversely alter the rights or obligations of a new motor vehicle dealer under an existing franchise or that substantially impairs the sales or service obligations or investments of the motor vehicle dealer;

(l) unreasonably deny the right to acquire factory program vehicles to any dealer holding a valid franchise from the manufacturer to sell the same line make of vehicles, provided that the manufacturer may impose reasonable restrictions and limitations on the purchase or resale of program vehicles to be applied equitably to all of its franchised dealers. For the purposes of this paragraph, "factory program vehicle" has the meaning given the term in section 80E.06, subdivision 2;

(m) fail or refuse to offer to its same line make franchised dealers all models manufactured for that line make, other than alternative fuel vehicles as defined in section 216C.01, subdivision 1b. Failure to offer a model is not a violation of this section if the failure is not arbitrary and is due to a lack of manufacturing capacity, a strike, labor difficulty, or other cause over which the manufacturer, distributor, or factory branch has no control;

(n) require a dealer to pay an extra fee, or remodel, renovate, or recondition the dealer's existing facilities, or purchase unreasonable advertising displays, training, tools, or other materials, or to require the dealer to establish exclusive facilities or dedicated personnel as a prerequisite to receiving a model or a series of vehicles;

(o) require a dealer by program, incentive provision, or otherwise to adhere to performance standards that are not applied uniformly to other similarly situated dealers.

A performance standard, sales objective, or program for measuring dealership performance that may have a material effect on a dealer, including the dealer's right to payment under any incentive or reimbursement program, and the application of the standard or program by a manufacturer, distributor, or factory branch must be fair, reasonable,

equitable, and based on accurate information. Upon written request by any of its franchised dealers located within Minnesota, a manufacturer, distributor, or factory branch must provide the method or formula used by the manufacturer in establishing the sales volumes for receiving a rebate or incentive and the specific calculations for determining the required sales volumes of the inquiring dealer and any of the manufacturer's other Minnesota-franchised new motor vehicle dealers of the same line-make located within 75 miles of the inquiring dealer. Nothing contained in this section requires a manufacturer, distributor, or factory branch to disclose confidential business information of any of its franchised dealers or the required numerical sales volumes that any of its franchised dealers must attain to receive a rebate or incentive. An inquiring dealer may file a civil action as provided in section 80E.17 without a showing of injury if a manufacturer, distributor, or factory branch fails to make the disclosure required by this section.

A manufacturer, distributor, or factory branch has the burden of proving that the performance standard, sales objective, or program for measuring dealership performance is fair ~~and~~, reasonable, and uniformly applied under this ~~subdivision~~ section;

(p) ~~unreasonably reduce assign or change~~ a dealer's area of sales effectiveness ~~without giving~~ arbitrarily or without due regard to the present pattern of motor vehicle sales and registrations within the dealer's market. The manufacturer, distributor, or factory branch must provide at least 90 days' notice of the proposed ~~reduction~~ change. The change may not take effect if the dealer commences a civil action within the 90 days' notice period to determine whether ~~there is good cause for the change within the 90 days' notice period~~ the manufacturer, distributor, or factory branch met its obligations under this section. The burden of proof in such an action shall be on the manufacturer or distributor; ~~or~~. In determining at the evidentiary hearing whether a manufacturer, distributor, or factory branch has assigned or changed the dealer's area of sales effectiveness or is proposing to assign or change the dealer's area of sales effectiveness arbitrarily or without due regard to the present pattern of motor vehicle sales and registrations within the dealer's market, the court may take into consideration the relevant circumstances, including, but not limited to:

(1) the traffic patterns between consumers and the same line-make franchised dealers of the affected manufacturer, distributor, or factory branch who are located within the market;

(2) the pattern of new vehicle sales and registrations of the affected manufacturer, distributor, or factory branch within various portions of the area of sales effectiveness and within the market as a whole;

(3) the growth or decline in population, density of population, and new car registrations in the market;

(4) the presence or absence of natural geographical obstacles or boundaries, such as rivers;

(5) the proximity of census tracts or other geographic units used by the affected manufacturer, factory branch, distributor, or distributor branch in determining the same line-make dealers' respective areas of sales effectiveness; and

(6) the reasonableness of the change or proposed change to the dealer's area of sales effectiveness, considering the benefits and harm to the petitioning dealer, other same line-make dealers, and the manufacturer, distributor, or factory branch;

(q) to charge back, withhold payment, deny vehicle allocation, or take any other adverse action against a dealer when a new vehicle sold by the dealer has been exported to a foreign country, unless the manufacturer, distributor, or factory branch can show that at the time of sale, the customer's information was listed on a known or suspected exporter list made available to the dealer, or the dealer knew or reasonably should have known of the purchaser's intention to export or resell the motor vehicle in violation of the manufacturer's export policy. There is a rebuttable presumption that the dealer did not know or should not have reasonably known that the vehicle would be exported or resold in violation of the manufacturer's export policy if the vehicle is titled and registered in any state of the United States; or

(r) to require a dealer or prospective dealer by program, incentive provision, or otherwise to construct improvements to its or a predecessor's facilities or to install new signs or other franchisor image elements that replace or substantially alter improvements, signs, or franchisor image elements completed within the preceding ten years that were required and approved by the manufacturer, distributor, or factory branch, including any such improvements, signs, or franchisor image elements that were required as a condition of the dealer or predecessor dealer receiving an incentive or other compensation from the manufacturer, distributor, or factory branch.

This paragraph shall not apply to a program or agreement that provides lump sum payments to assist dealers in making facility improvements or to pay for signs or franchisor image elements when such payments are not dependent on the dealer selling or purchasing specific numbers of new vehicles and shall not apply to a program that is in effect with more than one Minnesota dealer on the effective date of this section, nor to any renewal of such program, nor to a modification that is not a substantial modification of a material term or condition of such program.

Sec. 5. Minnesota Statutes 2016, section 80E.16, subdivision 1, is amended to read:

Subdivision 1. **Civil penalty.** Any person who violates section ~~80E.04~~, ~~80E.041~~, ~~80E.045~~, 80E.12, or 80E.13 shall be subject to a fine of not more than \$2,000 for each violation. Any person who fails to comply with a final judgment or order rendered by a court of competent jurisdiction, issued for a violation of sections 80E.01 to 80E.17, shall be subject to a fine of not more than \$25,000. The fines authorized by this subdivision shall be imposed in a civil action brought by the attorney general on behalf of the state of Minnesota, and shall be deposited into the state treasury.

Sec. 6. **REPEALER.**

Minnesota Statutes 2016, section 80E.04, is repealed."

Delete the title and insert:

"A bill for an act relating to commerce; regulating motor vehicle franchises; specifying warranty and recall obligations; regulating succession agreements and unfair practices by manufacturers, distributors, and factory branches; providing penalties; amending Minnesota Statutes 2016, sections 80E.11, subdivision 7; 80E.13; 80E.16, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 80E; repealing Minnesota Statutes 2016, section 80E.04."

We request the adoption of this report and repassage of the bill.

House Conferees: BOB VOGEL, JOE HOPPE, BOB LOONAN, RON KRESHA and LAURIE HALVERSON.

Senate Conferees: BILL INGEBRIGTSEN, GARY H. DAHMS, KARIN HOUSLEY, BILL WEBER and NICK A. FRENTZ.

Vogel moved that the report of the Conference Committee on H. F. No. 740 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

H. F. No. 740, A bill for an act relating to commerce; regulating motor vehicle franchises; specifying warranty and recall obligations; providing unfair practices by manufacturers, distributors, and factory branches; amending Minnesota Statutes 2016, sections 80E.11, subdivision 7; 80E.13; 80E.16, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 80E; repealing Minnesota Statutes 2016, section 80E.04.

The bill was read for the third time, as amended by Conference, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called. There were 126 yeas and 1 nay as follows:

Those who voted in the affirmative were:

Albright	Dean, M.	Heintzeman	Lillie	Newberger	Sauke
Allen	Dehn, R.	Hertaus	Loeffler	Nornes	Schomacker
Anderson, P.	Dettmer	Hilstrom	Lohmer	O'Driscoll	Schultz
Anderson, S.	Ecklund	Hoppe	Loon	Olson	Scott
Anselmo	Erickson	Hortman	Loonan	Omar	Slocum
Backer	Fabian	Howe	Lucero	O'Neill	Smith
Bahr, C.	Fenton	Jessup	Lueck	Pelowski	Sundin
Baker	Fischer	Johnson, B.	Mahoney	Peppin	Swedzinski
Barr, R.	Franke	Johnson, C.	Mariani	Petersburg	Theis
Bennett	Franson	Jurgens	Marquart	Peterson	Torkelson
Bernardy	Freiberg	Kiel	Masin	Pierson	Uglen
Bliss	Garofalo	Knobloch	Maye Quade	Pinto	Urdahl
Bly	Green	Koegel	McDonald	Poppe	Vogel
Carlson, A.	Grossell	Koznick	Metsa	Poston	Wagenius
Carlson, L.	Gruenhagen	Kresha	Miller	Pryor	Ward
Christensen	Gunther	Kunesh-Podein	Moran	Pugh	West
Clark	Haley	Layman	Munson	Quam	Whelan
Considine	Halverson	Lee	Murphy, M.	Rarick	Wills
Daniels	Hamilton	Lesch	Nash	Rosenthal	Youakim
Davids	Hansen	Liebling	Nelson	Runbeck	Zerwas
Davnie	Hausman	Lien	Neu	Sandstede	Spk. Daudt

Those who voted in the negative were:

Drazkowski

The bill was repassed, as amended by Conference, and its title agreed to.

CONFERENCE COMMITTEE REPORT ON H. F. No. 3422

A bill for an act relating to game and fish; modifying bait and equipment requirements for infested waters; amending Minnesota Statutes 2016, section 97C.345, subdivision 3a; Minnesota Statutes 2017 Supplement, section 84D.03, subdivisions 3, 4.

May 20, 2018

The Honorable Kurt L. Daudt
Speaker of the House of Representatives

The Honorable Michelle L. Fischbach
President of the Senate

We, the undersigned conferees for H. F. No. 3422 report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendment and that H. F. No. 3422 be further amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Laws 2015, First Special Session chapter 4, article 4, section 136, as amended by Laws 2017, chapter 93, article 2, section 149, is amended to read:

Sec. 136. WILD RICE WATER QUALITY STANDARDS.

(a) Until cost-effective treatment technology, as defined in paragraph (b), is available and the commissioner of the Pollution Control Agency amends rules refining the wild rice water quality standard in Minnesota Rules, part 7050.0224, subpart 2, to consider all independent research and publicly funded research and to include criteria for identifying waters and a list of waters subject to the standard, implementation of the wild rice water quality standard in Minnesota Rules, part 7050.0224, subpart 2, shall be limited to the following, unless the permittee requests additional conditions:

(1) when issuing, modifying, or renewing national pollutant discharge elimination system (NPDES) or state disposal system (SDS) permits, the agency shall endeavor to protect wild rice, and in doing so shall be limited by the following conditions:

(i) the agency shall not require permittees or applicants to expend money for design or implementation of sulfate treatment technologies or other forms of sulfate mitigation; and

(ii) the agency may require sulfate minimization plans in permits, but the plans must not violate any limitation of this section; and

(2) the agency shall not list waters containing natural beds of wild rice as impaired for sulfate under section 303(d) of the federal Clean Water Act, United States Code, title 33, section 1313, until the rulemaking described in this paragraph takes effect- and the water has been evaluated for all conditions affecting the propagation and maintenance of wild rice, including water level; pollutant concentrations; conditions created by the presence and activity of wildlife, flora, fauna, and fish; and other conditions or factors.

~~(b) Upon the rule described in paragraph (a) taking effect, the agency may reopen permits issued or reissued after the effective date of this section as needed to include numeric permit limits based on the wild rice water quality standard. Cost-effective treatment technology must be determined by the commissioner through an economic analysis of the cost to businesses or communities of installing and operating sulfate treatment. The economic analysis must include the following factors:~~

(1) impacts to rate payers and profitability;

(2) viability of a local facility of a parent organization;

(3) impacts to regional employment;

(4) availability of public funding, grants, or loans; and

(5) effects of disposal and energy costs associated with treatment.

(c) Every two years after the date of the initial economic analysis prepared under paragraph (b), the commissioner must publish a report reviewing the state of sulfate treatment technology, evaluating the cost effectiveness of available technology, identifying public financial assistance available to permittees, and making a specific determination whether the net cost of technologies currently available may be cost effective for permittees. A draft report must be made available for public comment for at least 60 days prior to the final publication.

~~(c) The commissioner shall complete the rulemaking described in paragraph (a) by January 15, 2019.~~

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

Sec. 2. WILD RICE WORK GROUP; REPORT.

(a) A wild rice work group is established. The governor must appoint to the work group representatives of Minnesota tribal governments nominated by those governments, one representative from the University of Minnesota, one representative from an environmental nongovernmental organization, and one independent scientific expert in wild rice research and one independent scientific expert in plant-based aquatic toxicology. The chairs of the legislative committees and divisions with jurisdiction over environment and natural resources must appoint one representative from the ferrous mining industry, a municipal discharger, an electric utility, a non-Minnesota university or academic institution, and one independent scientific expert in wild rice research and one independent scientific expert in plant-based aquatic toxicology. The commissioners of natural resources and the Pollution Control Agency must each appoint one person from their respective entity to serve as an ex officio member of the work group.

(b) \$500,000 in fiscal year 2018 is appropriated from the heritage enhancement account in the game and fish fund to the commissioner of natural resources for wild rice protection, restoration, and enhancement. Of this amount, up to \$200,000 may be used to support the work of the wild rice work group. Any remaining money may be spent to carry out the recommended actions outlined in the report to protect, restore, and enhance the naturally occurring wild rice in the public waters of Minnesota. This is a onetime appropriation and is available until June 30, 2020.

(c) The wild rice work group must submit a report to the state's tribal governments and the chairs and ranking minority members of the house of representatives and senate committees and divisions with jurisdiction over the environment and natural resources by January 15, 2019, that:

(1) includes tailored restoration activities to improve natural wild rice health in priority wild rice water bodies and to monitor the effectiveness of restoration and protection activities;

(2) identifies ways to increase intensive natural wild-rice lake management efforts and accelerates the restoration of wild rice stands within its historic range;

(3) identifies areas in which to implement the best management practices;

(4) provides recommendations for the creation of a long-term wild rice work group, including membership structure, to advise the commissioner on natural wild rice management;

(5) provides recommendations for state and local funding to permittees and applicants to support data collection and research, restoration and protection activities, best management practices, sulfate minimization plans, and the installation of cost-effective treatment technologies; and

(6) includes data about the condition of wild-rice waters downstream of permitted dischargers.

(d) After completing the tasks identified in paragraph (c), the work group must prepare recommendations to the commissioner by December 15, 2019, to improve regulation of wastewater discharges as necessary to protect wild rice. The work group must evaluate the impacts of sulfate or other sulfur compounds to wild rice in these waters. The work group must be limited to the evaluation of sulfate impacts on wild rice and must not evaluate other potential sulfate-related impacts to the environment. The work group must review existing studies and papers, both state-sponsored and otherwise, to determine the following:

- (1) how sulfate impacts wild rice including the life stage or stages impacted;
 - (2) the mechanism or mechanisms by which sulfate impacts wild rice;
 - (3) a list of waters showing wild rice densities and corresponding sulfate values for each water;
 - (4) an examination of conditions that may mitigate the toxicity of sulfide or sulfate to wild rice, including biological or chemical adaptations by the wild rice plant;
 - (5) the number of acres of wild-rice waters to be restored or retained by enforcing a sulfate standard;
 - (6) the reasonable and necessary concentration of sulfate to protect wild rice; and
 - (7) criteria for identifying and an appropriate list of wild-rice waters that should be considered for listing as wild-rice waters in any subsequent rulemaking under Minnesota Rules, chapter 7050.
- (e) Upon receipt of the recommendations described in paragraph (d), the commissioner of the Pollution Control Agency must prepare a recommendation to the legislature reflecting the work group recommendations. The commissioner's recommendation must include any proposed rule language which the commissioner determines is appropriate to implement the work group recommendations.

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

Delete the title and insert:

"A bill for an act relating to environment; modifying wild rice water quality standards; establishing a wild rice work group; requiring a report; appropriating money; amending Laws 2015, First Special Session chapter 4, article 4, section 136, as amended."

We request the adoption of this report and repassage of the bill.

House Conferees: DAN FABIAN, DALE LUECK, SANDY LAYMAN, JASON METSA and ROB ECKLUND.

Senate Conferees: BILL INGEBRIGTSEN, JUSTIN EICHORN, PAUL UTKE and DAVID J. TOMASSONI.

Fabian moved that the report of the Conference Committee on H. F. No. 3422 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

H. F. No. 3422, A bill for an act relating to game and fish; modifying bait and equipment requirements for infested waters; amending Minnesota Statutes 2016, section 97C.345, subdivision 3a; Minnesota Statutes 2017 Supplement, section 84D.03, subdivisions 3, 4.

The bill was read for the third time, as amended by Conference, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called. There were 86 yeas and 42 nays as follows:

Those who voted in the affirmative were:

Albright	Dettmer	Heintzeman	Loonan	Peppin	Swedzinski
Anderson, P.	Drazkowski	Hertaus	Lucero	Petersburg	Theis
Anderson, S.	Ecklund	Hoppe	Lueck	Peterson	Torkelson
Anselmo	Erickson	Howe	Marquart	Pierson	Uglen
Backer	Fabian	Jessup	McDonald	Poppe	Urdahl
Bahr, C.	Fenton	Johnson, B.	Metsa	Poston	Vogel
Baker	Franke	Jurgens	Miller	Pugh	West
Barr, R.	Franson	Kiel	Munson	Quam	Whelan
Bennett	Garofalo	Knoblach	Nash	Rarick	Wills
Bliss	Green	Koegel	Neu	Runbeck	Zerwas
Christensen	Grossell	Koznick	Newberger	Sandstede	Spk. Daudt
Considine	Gruenhagen	Kresha	Nornes	Schomacker	
Daniels	Gunther	Layman	O'Driscoll	Scott	
Davids	Haley	Lohmer	O'Neill	Smith	
Dean, M.	Hamilton	Loon	Pelowski	Sundin	

Those who voted in the negative were:

Allen	Dehn, R.	Hortman	Lillie	Murphy, E.	Rosenthal
Bernardy	Fischer	Johnson, C.	Loeffler	Murphy, M.	Sauke
Bly	Flanagan	Kunesh-Podein	Mahoney	Nelson	Schultz
Carlson, A.	Freiberg	Lee	Mariani	Olson	Slocum
Carlson, L.	Halverson	Lesch	Masin	Omar	Wagenius
Clark	Hansen	Liebling	Maye Quade	Pinto	Ward
Davnie	Hausman	Lien	Moran	Pryor	Youakim

The bill was repassed, as amended by Conference, and its title agreed to.

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

RECESS

RECONVENED

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

MESSAGES FROM THE SENATE

The following messages were received from the Senate:

Mr. Speaker:

I hereby announce that the Senate has concurred in and adopted the report of the Conference Committee on:

H. F. No. 740, A bill for an act relating to commerce; regulating motor vehicle franchises; specifying warranty and recall obligations; providing unfair practices by manufacturers, distributors, and factory branches; amending Minnesota Statutes 2016, sections 80E.11, subdivision 7; 80E.13; 80E.16, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 80E; repealing Minnesota Statutes 2016, section 80E.04.

The Senate has repassed said bill in accordance with the recommendation and report of the Conference Committee. Said House File is herewith returned to the House.

CAL R. LUDEMAN, Secretary of the Senate

Mr. Speaker:

I hereby announce that the Senate has concurred in and adopted the report of the Conference Committee on:

H. F. No. 947, A bill for an act relating to education finance; clarifying the calculation of general education aid; amending Minnesota Statutes 2016, section 126C.13, subdivision 4.

The Senate has repassed said bill in accordance with the recommendation and report of the Conference Committee. Said House File is herewith returned to the House.

CAL R. LUDEMAN, Secretary of the Senate

Mr. Speaker:

I hereby announce that the Senate has concurred in and adopted the report of the Conference Committee on:

H. F. No. 3972, A bill for an act relating to liquor; clarifying provisions relating to brewing and winemaking on premises; modifying off-sale hours; authorizing licenses; amending Minnesota Statutes 2016, sections 340A.33; 340A.34; Minnesota Statutes 2017 Supplement, section 340A.504, subdivision 4.

The Senate has repassed said bill in accordance with the recommendation and report of the Conference Committee. Said House File is herewith returned to the House.

CAL R. LUDEMAN, Secretary of the Senate

Mr. Speaker:

I hereby announce the passage by the Senate of the following House File, herewith returned, as amended by the Senate, in which amendments the concurrence of the House is respectfully requested:

H. F. No. 3423, A bill for an act relating to natural resources; modifying provisions for legal representation of department; providing for training and licensing of wildland firefighters; modifying provisions for approved firewood; amending Minnesota Statutes 2016, sections 88.10, by adding a subdivision; 88.75, subdivision 1; 89.551; Minnesota Statutes 2017 Supplement, section 84.01, subdivision 6.

CAL R. LUDEMAN, Secretary of the Senate

CONCURRENCE AND REPASSAGE

Fabian moved that the House concur in the Senate amendments to H. F. No. 3423 and that the bill be repassed as amended by the Senate. The motion prevailed.

H. F. No. 3423, A bill for an act relating to legacy; appropriating money from legacy funds; modifying certain requirements related to the legacy fund; amending Minnesota Statutes 2016, section 97A.056, subdivisions 3, 13.

The bill was read for the third time, as amended by the Senate, and placed upon its repassage.

The Speaker called Albright to the Chair.

The question was taken on the repassage of the bill and the roll was called. There were 95 yeas and 32 nays as follows:

Those who voted in the affirmative were:

Albright	Dean, M.	Hamilton	Kresha	Nornes	Slocum
Anderson, P.	Dettmer	Hausman	Layman	O'Driscoll	Smith
Anderson, S.	Drazkowski	Heintzeman	Lien	Pelowski	Sundin
Anselmo	Ecklund	Hertaus	Lillie	Peppin	Swedzinski
Backer	Erickson	Hilstrom	Lohmer	Petersburg	Theis
Baker	Fabian	Hoppe	Loon	Peterson	Uglen
Barr, R.	Fenton	Hortman	Loonan	Pierson	Urdahl
Bennett	Fischer	Howe	Lueck	Poppe	Vogel
Bliss	Franke	Jessup	Marquart	Poston	Wagenius
Carlson, A.	Franson	Johnson, B.	Maye Quade	Pryor	Ward
Carlson, L.	Garofalo	Johnson, C.	McDonald	Pugh	West
Christensen	Green	Jurgens	Metsa	Quam	Whelan
Considine	Grossell	Kiel	Miller	Rarick	Wills
Daniels	Gruenhagen	Knoblach	Munson	Runbeck	Zerwas
Davids	Gunther	Koegel	Nash	Schomacker	Spk. Daudt
Davnie	Haley	Koznick	Neu	Scott	

Those who voted in the negative were:

Allen	Flanagan	Lesch	Masin	Omar	Schultz
Bahr, C.	Freiberg	Liebling	Moran	O'Neill	Youakim
Bernardy	Halverson	Loeffler	Murphy, E.	Pinto	
Bly	Hansen	Lucero	Nelson	Rosenthal	
Clark	Kunesh-Podein	Mahoney	Newberger	Sandstede	
Dehn, R.	Lee	Mariani	Olson	Sauke	

The bill was repassed, as amended by the Senate, and its title agreed to.

Mr. Speaker:

I hereby announce the passage by the Senate of the following House File, herewith returned, as amended by the Senate, in which amendments the concurrence of the House is respectfully requested:

H. F. No. 3660, A bill for an act relating to environment; implementing terms of recent settlement between state and 3M Company; requiring a report of well testing; appropriating money; amending Minnesota Statutes 2016, section 116.155, subdivision 1, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 115B.

CAL R. LUDEMAN, Secretary of the Senate

CONCURRENCE AND REPASSAGE

Fenton moved that the House concur in the Senate amendments to H. F. No. 3660 and that the bill be repassed as amended by the Senate. The motion prevailed.

H. F. No. 3660, A bill for an act relating to environment; implementing terms of recent settlement between state and 3M Company; requiring a report of well testing; appropriating money; amending Minnesota Statutes 2016, section 116.155, subdivision 1, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 115B.

The bill was read for the third time, as amended by the Senate, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called. There were 119 yeas and 10 nays as follows:

Those who voted in the affirmative were:

Albright	Drazkowski	Hertaus	Lohmer	Nornes	Schomacker
Allen	Ecklund	Hilstrom	Loon	O'Driscoll	Schultz
Anderson, P.	Erickson	Hoppe	Loonan	Olson	Scott
Anderson, S.	Fabian	Hortman	Lucero	O'Neill	Slocum
Anselmo	Fenton	Howe	Lueck	Pelowski	Smith
Backer	Fischer	Jessup	Mahoney	Peppin	Sundin
Bahr, C.	Flanagan	Johnson, B.	Mariani	Petersburg	Swedzinski
Baker	Franke	Johnson, C.	Marquart	Peterson	Theis
Barr, R.	Franson	Jurgens	Masin	Pierson	Torkelson
Bennett	Freiberg	Kiel	Maye Quade	Pinto	Uglen
Bliss	Garofalo	Knoblach	McDonald	Poppe	Urdahl
Carlson, A.	Green	Koegel	Miller	Poston	Vogel
Carlson, L.	Grossell	Koznick	Moran	Pryor	Ward
Christensen	Gruenhagen	Kresha	Munson	Pugh	West
Considine	Gunther	Kunesh-Podein	Murphy, E.	Quam	Whelan
Daniels	Haley	Layman	Murphy, M.	Rarick	Wills
Davids	Halverson	Lee	Nash	Rosenthal	Youakim
Davnie	Hamilton	Lesch	Nelson	Runbeck	Zerwas
Dean, M.	Hausman	Lien	Neu	Sandstede	Spk. Daudt
Dettmer	Heintzeman	Lillie	Newberger	Sauke	

Those who voted in the negative were:

Bernardy	Clark	Hansen	Loeffler	Omar
Bly	Dehn, R.	Liebling	Metsa	Wagenius

The bill was repassed, as amended by the Senate, and its title agreed to.

Mr. Speaker:

I hereby announce the passage by the Senate of the following House File, herewith returned, as amended by the Senate, in which amendments the concurrence of the House is respectfully requested:

H. F. No. 3463, A bill for an act relating to motor vehicles; modifying various provisions governing motor vehicle titling and registration; appropriating money; amending Minnesota Statutes 2016, sections 80E.13; 168.013, subdivision 6; 168.27, by adding subdivisions; 168.301, subdivision 3; 168.33, subdivision 8a; 168.346, subdivision 1; 168A.12, subdivision 2; 168A.17, by adding a subdivision; Minnesota Statutes 2017 Supplement, section 168.013, subdivision 1a; proposing coding for new law in Minnesota Statutes, chapter 168A.

CAL R. LUDEMAN, Secretary of the Senate

CONCURRENCE AND REPASSAGE

Petersburg moved that the House concur in the Senate amendments to H. F. No. 3463 and that the bill be repassed as amended by the Senate. The motion prevailed.

H. F. No. 3463, A bill for an act relating to motor vehicles; modifying various provisions governing motor vehicle titling and registration; amending Minnesota Statutes 2016, sections 80E.13; 168.013, subdivision 6; 168.27, by adding subdivisions; 168.301, subdivision 3; 168.346, subdivision 1; 168A.12, subdivision 2; 168A.17, by adding a subdivision; Minnesota Statutes 2017 Supplement, section 168.013, subdivision 1a; proposing coding for new law in Minnesota Statutes, chapter 168A.

The bill was read for the third time, as amended by the Senate, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called. There were 95 yeas and 34 nays as follows:

Those who voted in the affirmative were:

Albright	Dettmer	Heintzeman	Lohmer	Nornes	Sauke
Anderson, P.	Drazkowski	Hertaus	Loon	O'Driscoll	Schomacker
Anderson, S.	Erickson	Hoppe	Loonan	O'Neill	Scott
Anselmo	Fabian	Hortman	Lucero	Pelowski	Smith
Backer	Fenton	Howe	Lueck	Peppin	Swedzinski
Bahr, C.	Fischer	Jessup	Marquart	Petersburg	Theis
Baker	Franke	Johnson, B.	Masin	Peterson	Torkelson
Barr, R.	Franson	Johnson, C.	Maye Quade	Pierson	Uglen
Bennett	Garofalo	Jurgens	McDonald	Poppe	Urdahl
Bliss	Green	Kiel	Metsa	Poston	Vogel
Carlson, A.	Grossell	Knoblach	Miller	Pryor	West
Carlson, L.	Gruenhagen	Koegel	Munson	Pugh	Whelan
Christensen	Gunther	Koznick	Murphy, M.	Quam	Wills
Daniels	Haley	Kresha	Nash	Rarick	Zerwas
Davids	Halverson	Layman	Neu	Rosenthal	Spk. Daudt
Dean, M.	Hamilton	Lien	Newberger	Runbeck	

Those who voted in the negative were:

Allen	Dehn, R.	Hilstrom	Loeffler	Olson	Sundin
Bernardy	Ecklund	Kunesh-Podein	Mahoney	Omar	Wagenius
Bly	Flanagan	Lee	Mariani	Pinto	Ward
Clark	Freiberg	Lesch	Moran	Sandstede	Youakim
Considine	Hansen	Liebling	Murphy, E.	Schultz	
Davnie	Hausman	Lillie	Nelson	Slocum	

The bill was repassed, as amended by the Senate, and its title agreed to.

Knoblach moved that the House recess subject to the call of the Chair. The motion prevailed.

RECESS

RECONVENED

The House reconvened and was called to order by Speaker pro tempore Garofalo.

The following Conference Committee Report was received:

CONFERENCE COMMITTEE REPORT ON H. F. No. 2899

A bill for an act relating to insurance; requiring notification of the statutory prohibition against payment of rebates or deductibles by residential contractors; amending Minnesota Statutes 2016, section 325E.66, subdivision 1.

May 20, 2018

The Honorable Kurt L. Daudt
Speaker of the House of Representatives

The Honorable Michelle L. Fischbach
President of the Senate

We, the undersigned conferees for H. F. No. 2899 report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendments.

We request the adoption of this report and repassage of the bill.

House Conferees: JEFF HOWE, JIM NASH and DIANE LOEFFLER.

Senate Conferees: KARIN HOUSLEY, GARY H. DAHMS and DAVID J. TOMASSONI.

The Speaker resumed the Chair.

Howe moved that the report of the Conference Committee on H. F. No. 2899 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

H. F. No. 2899, A bill for an act relating to insurance; requiring notification of the statutory prohibition against payment of rebates or deductibles by residential contractors; amending Minnesota Statutes 2016, section 325E.66, subdivision 1.

The bill was read for the third time, as amended by Conference, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called. There were 131 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Albright	Carlson, A.	Fabian	Hamilton	Kiel	Loon
Allen	Carlson, L.	Fenton	Hansen	Knoblach	Loonan
Anderson, P.	Christensen	Fischer	Hausman	Koegel	Lucero
Anderson, S.	Clark	Flanagan	Heintzeman	Koznick	Lueck
Anselmo	Considine	Franke	Hertaus	Kresha	Mahoney
Applebaum	Daniels	Franson	Hilstrom	Kunesh-Podein	Mariani
Backer	Dauids	Freiberg	Hoppe	Layman	Marquart
Bahr, C.	Davnie	Garofalo	Hornstein	Lee	Masin
Baker	Dean, M.	Green	Hortman	Lesch	Maye Quade
Barr, R.	Dehn, R.	Grossell	Howe	Liebling	McDonald
Bennett	Dettmer	Gruenhagen	Jessup	Lien	Metsa
Bernardy	Drazkowski	Gunther	Johnson, B.	Lillie	Miller
Bliss	Ecklund	Haley	Johnson, C.	Loeffler	Moran
Bly	Erickson	Halverson	Jurgens	Lohmer	Munson

Murphy, E.	Olson	Pinto	Runbeck	Sundin	Ward
Murphy, M.	Omar	Poppe	Sandstede	Swedzinski	West
Nash	O'Neill	Poston	Sauke	Theis	Whelan
Nelson	Pelowski	Pryor	Schomacker	Torkelson	Wills
Neu	Peppin	Pugh	Schultz	Uglen	Youakim
Newberger	Petersburg	Quam	Scott	Urdahl	Zerwas
Nornes	Peterson	Rarick	Slocum	Vogel	Spk. Daudt
O'Driscoll	Pierson	Rosenthal	Smith	Wagenius	

The bill was repassed, as amended by Conference, and its title agreed to.

CALENDAR FOR THE DAY

S. F. No. 3062, A bill for an act relating to higher education; making clarifying and technical changes to loan forgiveness programs; ratifying certain higher education labor agreements; amending Minnesota Statutes 2016, sections 136A.1791, subdivision 8; 136A.1795, subdivision 2; 136A.901, subdivision 1; Minnesota Statutes 2017 Supplement, section 136A.1789, subdivision 2; Laws 2017, chapter 89, article 1, section 2, subdivisions 20, 31, 32, 33, 34.

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

The question was taken on the passage of the bill and the roll was called. There were 127 yeas and 4 nays as follows:

Those who voted in the affirmative were:

Albright	Dettmer	Hilstrom	Lohmer	Olson	Slocum
Allen	Ecklund	Hoppe	Loon	Omar	Smith
Anderson, P.	Erickson	Hornstein	Loonan	O'Neill	Sundin
Anderson, S.	Fabian	Hortman	Lueck	Pelowski	Swedzinski
Anselmo	Fenton	Howe	Mahoney	Peppin	Theis
Applebaum	Fischer	Jessup	Mariani	Petersburg	Torkelson
Backer	Flanagan	Johnson, B.	Marquart	Peterson	Uglen
Baker	Franke	Johnson, C.	Masin	Pierson	Urdahl
Barr, R.	Franson	Jurgens	Maye Quade	Pinto	Vogel
Bennett	Freiberg	Kiel	McDonald	Poppe	Wagenius
Bernardy	Garofalo	Knoblauch	Metsa	Poston	Ward
Bliss	Green	Koegel	Miller	Pryor	West
Bly	Grossell	Koznick	Moran	Pugh	Whelan
Carlson, A.	Gruenhagen	Kresha	Munson	Quam	Wills
Carlson, L.	Gunther	Kunesh-Podein	Murphy, E.	Rarick	Youakim
Clark	Haley	Layman	Murphy, M.	Rosenthal	Zerwas
Considine	Halverson	Lee	Nash	Runbeck	Spk. Daudt
Daniels	Hamilton	Lesch	Nelson	Sandstede	
Davids	Hansen	Liebling	Neu	Sauke	
Davnie	Hausman	Lien	Newberger	Schomacker	
Dean, M.	Heintzeman	Lillie	Nornes	Schultz	
Dehn, R.	Hertaus	Loeffler	O'Driscoll	Scott	

Those who voted in the negative were:

Bahr, C.	Christensen	Drazkowski	Lucero
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The bill was passed and its title agreed to.

There being no objection, the order of business reverted to Presentation of Petitions or other Communications.

PETITIONS AND COMMUNICATIONS

The following communication was received:

STATE OF MINNESOTA
OFFICE OF THE GOVERNOR
SAINT PAUL 55155

May 19, 2018

The Honorable Kurt Daudt
Speaker of the House of Representatives
The State of Minnesota

Dear Speaker Daudt:

I have vetoed and am returning H. F. No. 2835, Chapter No. 178, a bill relating to public safety.

While I fully support reimbursing Minnesota's Deputy Registrars for the financial losses they have incurred since the Minnesota Licensing and Registration System (MNLARS) rollout, I will not sign a bill that does not comprehensively address fixing the MNLARS system in addition to the reimbursement of Deputy Registrars. I also will not sign a bill that depletes necessary resources for the Minnesota Department of Public Safety (DPS). Given where we are in the legislative process, I urge the Legislature to send me one bill that includes funding for fixing and MNLARS system and funding for reimbursing Deputy Registrars from the General Fund. Sending me legislation that does not provide a comprehensive solution is not productive.

The proposed funding source in this bill, coupled with the proposed funding in the Transportation Article of the Supplemental Budget Bill, would be fiscally irresponsible. The Transportation Article also makes additional appropriations from the DVS Special Revenue Accounts. The net effect of enacting both bills would be to drain entirely the DVS Special Revenue Accounts. It is imperative that they remain stable, in order for the agency to meet its statutory business obligations into the future, as was intended when the Legislature established those accounts.

Additionally, there are currently multiple policy provisions in the Transportation Article of the Supplemental Budget Bill that are not directly funded and total over \$16 million. These requirements could set back the progress scheduled with the stakeholder roadmap, delaying the MNLARS project even further. DPS and MN.IT have staff spent months engaging with stakeholders, including Deputy Registrars, to ensure that critical functions and fixes were prioritized. Incorporating new priorities without properly engaging those who worked on the roadmap will most certainly have an adverse effect on the priorities that were agreed to.

MNLARS is the very system stakeholders rely on to process customer transactions and conduct business. If the funding and roadmap are delayed, this system will not function properly, which means it is highly likely that we will again need to reimburse Deputy Registrars for the same issues they have faced since last July. That is why I proposed and support a comprehensive and responsible approach to this issue, one that both supports Deputy Registrars and completes the system without causing further delays.

I look forward to using the final hours of this Legislative Session to resolve this issue with you.

Sincerely,

MARK DAYTON
Governor

MOTION TO OVERRIDE VETO

Baker moved that H. F. No. 2835, Chapter No. 178, be now reconsidered and repassed, the objections of the Governor notwithstanding, pursuant to Article IV, Section 23, of the Constitution of the State of Minnesota.

The question was taken on the Baker motion and the roll was called. There were 79 yeas and 52 nays as follows:

Those who voted in the affirmative were:

Albright	Dettmer	Heintzeman	Loonan	Peppin	Torkelson
Anderson, P.	Drazkowski	Hertaus	Lucero	Petersburg	Uglen
Anderson, S.	Erickson	Hoppe	Lueck	Peterson	Urdahl
Anselmo	Fabian	Howe	Marquart	Pierson	Vogel
Backer	Fenton	Jessup	McDonald	Poston	West
Bahr, C.	Franke	Johnson, B.	Miller	Pugh	Whelan
Baker	Franson	Jurgens	Munson	Quam	Wills
Barr, R.	Garofalo	Kiel	Nash	Rarick	Zerwas
Bennett	Green	Knoblach	Neu	Runbeck	Spk. Daudt
Bliss	Grossell	Koznick	Newberger	Schomacker	
Christensen	Gruenhagen	Kresha	Nornes	Scott	
Daniels	Gunther	Layman	O'Driscoll	Smith	
Davids	Haley	Lohmer	O'Neill	Swedzinski	
Dean, M.	Hamilton	Loon	Pelowski	Theis	

Those who voted in the negative were:

Allen	Dehn, R.	Hornstein	Lillie	Murphy, M.	Sauke
Applebaum	Ecklund	Hortman	Loeffler	Nelson	Schultz
Bernardy	Fischer	Johnson, C.	Mahoney	Olson	Slocum
Bly	Flanagan	Koegel	Mariani	Omar	Sundin
Carlson, A.	Freiberg	Kunesh-Podein	Masin	Pinto	Wagenius
Carlson, L.	Halverson	Lee	Maye Quade	Poppe	Ward
Clark	Hansen	Lesch	Metsa	Pryor	Youakim
Considine	Hausman	Liebling	Moran	Rosenthal	
Davnie	Hilstrom	Lien	Murphy, E.	Sandstede	

Not having received the constitutionally required two-thirds vote, the bill was not reconsidered and repassed.

INTRODUCTION AND FIRST READING OF HOUSE BILLS

The following House File was introduced:

Hansen and Schultz introduced:

H. F. No. 4542, A bill for an act relating to taxation; individual income; providing a credit for installation of a sauna; amending Minnesota Statutes 2016, section 290.06, by adding a subdivision.

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

The following Conference Committee Report was received:

CONFERENCE COMMITTEE REPORT ON H. F. No. 1226

A bill for an act relating to taxation; making policy, technical, and clarifying changes to income, corporate, estate, special, sales, property, and miscellaneous taxes and tax provisions; amending Minnesota Statutes 2016, sections 13.51, subdivision 2; 69.021, subdivision 5; 270.071, subdivisions 2, 7, 8, by adding a subdivision; 270.072, subdivisions 2, 3, by adding a subdivision; 270.12, by adding a subdivision; 270.82, subdivision 1; 270A.03, subdivision 5; 270B.14, subdivision 1; 270C.30; 270C.33, subdivisions 5, 8; 270C.34, subdivision 2; 270C.35, subdivision 3, by adding a subdivision; 270C.38, subdivision 1; 270C.445, by adding a subdivision; 270C.446, subdivision 5; 270C.72, subdivision 4; 270C.89, subdivision 1; 271.06, subdivisions 2, 7; 272.02, subdivisions 9, 10; 272.0211, subdivision 1; 272.025, subdivision 1; 272.029, subdivisions 2, 4, by adding a subdivision; 272.0295, subdivision 4; 272.115, subdivision 2; 273.061, subdivision 7; 273.08; 273.121, by adding a subdivision; 273.124, subdivision 13; 273.13, subdivision 22; 273.33, subdivisions 1, 2; 273.371; 273.372, subdivisions 2, 4, by adding subdivisions; 274.01, subdivision 1; 274.13, subdivision 1; 274.135, subdivision 3; 275.065, subdivision 1; 275.62, subdivision 2; 278.01, subdivision 1; 282.01, subdivisions 1a, 1d; 287.2205; 289A.08, subdivisions 11, 16, by adding a subdivision; 289A.09, subdivisions 1, 2; 289A.11, subdivision 1; 289A.12, subdivision 14; 289A.18, subdivision 1, by adding a subdivision; 289A.20, subdivision 2; 289A.31, subdivision 1; 289A.35; 289A.37, subdivision 2; 289A.38, subdivision 6; 289A.50, subdivision 7; 289A.60, subdivision 28, by adding a subdivision; 289A.63, by adding a subdivision; 290.0672, subdivision 1; 290.068, subdivision 2; 290.0922, subdivision 2; 290.17, subdivision 2; 290.31, subdivision 1; 290A.19; 290C.03; 291.016, subdivisions 2, 3; 291.03, subdivisions 9, 11; 295.54, subdivision 2; 295.55, subdivision 6; 296A.01, subdivisions 33, 42, by adding a subdivision; 296A.02, by adding a subdivision; 296A.07, subdivision 1; 296A.22, subdivision 9; 296A.26; 297A.82, subdivisions 4, 4a; 297D.02; 297E.02, subdivisions 3, 7; 297E.04, subdivision 1; 297E.05, subdivision 4; 297E.06, subdivision 1; 297F.09, subdivision 1; 297F.23; 297G.09, subdivision 1; 297G.22; 297H.06, subdivision 2; 297I.05, subdivision 2; 297I.10, subdivisions 1, 3; 297I.30, by adding a subdivision; 297I.60, subdivision 2; 298.01, subdivision 4c; 469.319, subdivision 5; 477A.013, by adding a subdivision; 477A.19, by adding subdivisions; 559.202, subdivision 2; 609.5316, subdivision 3; Laws 2014, chapter 308, article 9, section 94; Laws 2016, chapter 187, section 5; proposing coding for new law in Minnesota Statutes, chapters 273; 289A; 290B; 290C; 293; repealing Minnesota Statutes 2016, sections 281.22; 290C.02, subdivisions 5, 9; 290C.06; Minnesota Rules, parts 8092.1400; 8092.2000; 8100.0700.

May 20, 2018

The Honorable Kurt L. Daudt
Speaker of the House of Representatives

The Honorable Michelle L. Fischbach
President of the Senate

We, the undersigned conferees for H. F. No. 1226 report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendment and that H. F. No. 1226 be further amended as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1
APPROPRIATIONS

Section 1. **CAPITAL IMPROVEMENT APPROPRIATIONS.**

The sums shown in the column under "Appropriations" are appropriated from the bond proceeds fund, or another named fund, to the state agencies or officials indicated, to be spent for public purposes. Appropriations of bond proceeds must be spent as authorized by the Minnesota Constitution, article XI, section 5, paragraph (a), to acquire

and better public land and buildings and other public improvements of a capital nature, or as authorized by the Minnesota Constitution, article XI, section 5, paragraphs (b) to (j), or article XIV. Unless otherwise specified, money appropriated in this act:

(1) may be used to pay state agency staff costs that are attributed directly to the capital program or project in accordance with accounting policies adopted by the commissioner of management and budget;

(2) is available until the project is completed or abandoned subject to Minnesota Statutes, section 16A.642;

(3) for activities under Minnesota Statutes, sections 16B.307, 84.946, and 135A.046, should not be used for projects that can be financed within a reasonable time frame under Minnesota Statutes, section 16B.322 or 16C.144; and

(4) is available for a grant to a political subdivision after the commissioner of management and budget determines that an amount sufficient to complete the project as described in this act has been committed to the project, as required by Minnesota Statutes, section 16A.502.

APPROPRIATIONS

Sec. 2. UNIVERSITY OF MINNESOTA

Subdivision 1. Total Appropriation

\$79,400,000

To the Board of Regents of the University of Minnesota for the purposes specified in this section.

Subd. 2. Higher Education Asset Preservation and Replacement (HEAPR)

45,000,000

To be spent in accordance with Minnesota Statutes, section 135A.046.

Subd. 3. Crookston - Dowell Hall and Owen Hall

3,200,000

To predesign, design, renovate, furnish, and equip campus teaching and learning spaces in Dowell Hall and Owen Hall on the Crookston campus.

Subd. 4. Morris - Humanities Building and Blakely Hall

3,200,000

To predesign, design, renovate, furnish, and equip campus teaching and learning spaces in the Humanities Building and Blakely Hall on the Morris campus.

Subd. 5. Twin Cities - Pillsbury Hall Renewal

24,000,000

To predesign, design, renovate, furnish, and equip historic Pillsbury Hall on the Twin Cities campus.

Subd. 6. Glensheen Renewal**4,000,000**

To predesign, design, and renovate the Historic Glensheen Estate including but not limited to the main house; the site structures, terraces, and garden walls; and the carriage house. This appropriation is not available until the commissioner of management and budget determines that an equal amount is committed from other sources.

Subd. 7. University Share

Except for the appropriations for HEAPR and Glensheen renewal, the appropriations in this section are intended to cover approximately two-thirds of the cost of each project. The remaining costs must be paid from university sources.

Subd. 8. Unspent Appropriations

Upon substantial completion of a project authorized in this section and after written notice to the commissioner of management and budget, the Board of Regents must use any money remaining in the appropriation for that project for HEAPR under Minnesota Statutes, section 135A.046. The Board of Regents must report by February 1 of each even-numbered year to the chairs of the house of representatives and senate committees with jurisdiction over capital investment and higher education finance, and to the chairs of the house of representatives Ways and Means Committee and the senate Finance Committee, on how the remaining money has been allocated or spent.

Sec. 3. MINNESOTA STATE COLLEGES AND UNIVERSITIES**Subdivision 1. Total Appropriation****\$129,015,000**

To the Board of Trustees of the Minnesota State Colleges and Universities for the purposes specified in this section.

Subd. 2. Higher Education Asset Preservation and Replacement (HEAPR)**45,000,000**

To be spent in accordance with Minnesota Statutes, section 135A.046.

Subd. 3. Anoka-Ramsey Community College, Coon Rapids**569,000**

To design the renovation of the business and nursing building on the Coon Rapids campus.

Subd. 4. Bemidji State University22,512,000

To demolish and replace Hagg Sauer Hall with the Academic Learning Center Building; and to design, renovate, and equip A.C. Clark Library, Bangsberg Hall, Bensen Hall, Bridgeman Hall, and Sattgast Hall.

Subd. 5. Century College6,362,000

To design, renovate, and equip the Engineering and Applied Technology Center, welding lab, fabrication lab, auto disassembly, and related student support and university partnership space on the east campus.

Subd. 6. Fond du Lac Tribal and Community College, Maajiigi (Start to Grow)1,157,000

To design, renovate, and equip classrooms and offices for the elementary education program; renovate kitchen area; to perform site work to support outdoor learning; and to demolish obsolete modular classroom/office building.

Subd. 7. Inver Hills Community College698,000

To design the renovation of the Technology and Business Center to include the link to Heritage Hall.

Subd. 8. Minnesota State University, Mankato6,478,000

To update design, renovate, renew, equip, and repurpose the spaces in Wissink Hall, Morris Hall, and Wiecking Center vacated when occupants moved to the new Clinical Science Building; and to install a solar array on the roof of the new Clinical Science Building.

Subd. 9. Minnesota State University, Moorhead628,000

To design the renovation of Weld Hall.

Subd. 10. Normandale Community College12,636,000

To design Phases 1 and 2 of the renovation of the College Services Building; and to renovate and equip the first floor of the College Services Building, including site improvements that address ADA compliance and storm water management.

Subd. 11. Riverland Community College, Albert Lea10,122,000

To design, renovate, renew, and equip classroom and lab space at the Albert Lea campus; to construct infill in Building C to support auto and diesel labs; and to demolish obsolete child care building.

Subd. 12. Rochester Community and Technical College**22,853,000**

To demolish Plaza and Memorial Halls; to design, renovate, renew, and equip classrooms and labs; to construct an addition adjacent to Endicott Hall; to construct a central chiller plant; and to demolish the maintenance building and child care building.

Subd. 13. Debt Service

(a) Except as provided in paragraph (b), the Board of Trustees shall pay the debt service on one-third of the principal amount of state bonds sold to finance projects authorized by this section. After each sale of general obligation bonds, the commissioner of management and budget shall notify the board of the amounts assessed for each year for the life of the bonds.

(b) The board need not pay debt service on bonds sold to finance HEAPR. Where a nonstate match is required, the debt service is due on a principal amount equal to one-third of the total project cost, less the match committed before the bonds are sold.

(c) The commissioner of management and budget shall reduce the board's assessment each year by one-third of the net income from investment of general obligation bond proceeds in proportion to the amount of principal and interest otherwise required to be paid by the board. The board shall pay its resulting net assessment to the commissioner of management and budget by December 1 each year. If the board fails to make a payment when due, the commissioner of management and budget shall reduce allotments for appropriations from the general fund otherwise available to the board and apply the amount of the reduction to cover the missed debt service payment. The commissioner of management and budget shall credit the payments received from the board to the bond debt service account in the state bond fund each December 1 before money is transferred from the general fund under Minnesota Statutes, section 16A.641, subdivision 10.

Subd. 14. Unspent Appropriations

(a) Upon substantial completion of a project authorized in this section and after written notice to the commissioner of management and budget, the board must use any money remaining in the appropriation for that project for HEAPR under Minnesota Statutes, section 135A.046. The Board of Trustees must report by February 1 of each even-numbered year to the chairs of the house of representatives and senate committees with jurisdiction over capital investment and higher education finance, and to the chairs of the house of representatives Ways and Means Committee and the senate Finance Committee, on how the remaining money has been allocated or spent.

(b) The unspent portion of an appropriation for a project in this section that is complete is available for HEAPR under this subdivision, at the same campus as the project for which the original appropriation was made and the debt service requirement under this section is reduced accordingly. Minnesota Statutes, section 16A.642, applies from the date of the original appropriation to the unspent amount transferred.

Sec. 4. **EDUCATION**

Subdivision 1. **Total Appropriation**

\$45,600,000

To the commissioner of education for the purposes specified in this section.

Subd. 2. **Library Construction Grants**

1,000,000

For library construction grants under Minnesota Statutes, section 134.45.

Subd. 3. **School Safety Grants**

25,000,000

(a) This appropriation is from the general fund in fiscal year 2019 for school safety facility grants for improvements related to violence prevention and facility security. \$25,000,000 in fiscal year 2019 is transferred from the budget reserve under Minnesota Statutes, section 16A.152, subdivision 1a, to the general fund.

(b) A school district may apply for a school safety facility grant in the form and manner specified by the commissioner of education.

(c) After consultation with the Department of Public Safety's Minnesota School Safety Center, the commissioner of education may award a school safety facility grant to a school district of no more than \$500,000 for each qualifying school building. The commissioner must award grants for projects that meet the requirements of this subdivision on a first-come, first-served basis. At least half of the grants must be awarded to school districts with administrative offices located outside of the eleven Minnesota counties included in the Minneapolis-St. Paul-Bloomington Metropolitan Statistical Area delineated in 2009 by the United State Census Bureau.

(d) Grants may be used to predesign, design, construct, furnish, and equip school facilities and includes renovating and expanding existing buildings and facilities.

(e) Before a grant is approved, the district must provide documentation acceptable to the commissioner of education on how the grant will be used.

(f) No money for construction may be distributed by the commissioner of education to the recipient school district until bids have been received on 100 percent of the construction documents and satisfactory documentation has been submitted to the commissioner of education indicating the project can be fully completed with money available for the project.

(g) Grants are available when the commissioner of management and budget determines that sufficient resources have been committed to complete the project, as required by Minnesota Statutes, section 16A.502.

Subd. 4. Independent School District No. 38, Red Lake

14,000,000

(a) From the maximum effort school loan fund for a capital loan to Independent School District No. 38, Red Lake, as provided in Minnesota Statutes, sections 126C.60 to 126C.72. This appropriation is for predesign, design, and construction of a connection structure between the Red Lake Early Learning Childhood Center and Red Lake Elementary School; renovations to various classrooms, labs, and support rooms; updating of mechanical systems; and expansion of the cafeteria. Before any capital loan contract is approved under this subdivision, the district must provide documentation acceptable to the commissioner of education on how the capital loan will be used.

(b) The commissioner of administration may provide project management services to assist the commissioner of education with oversight of the project. No money for construction may be distributed by the commissioner of education to the recipient school district until bids have been received on 100 percent of the construction documents and satisfactory documentation has been submitted to the commissioner of education indicating the project can be fully completed with money available for the project.

(c) Notwithstanding the timelines in Minnesota Statutes, section 126C.69, subdivision 11, Independent School District No. 38, Red Lake, must submit the question authorizing the borrowing of money for the facilities to voters of the district at the first general election following final enactment of this subdivision.

(d) Notwithstanding Minnesota Statutes, section 126C.69, subdivision 6, the application submitted by Independent School District No. 38, Red Lake, on September 1, 2015, shall be considered a sufficient application for this loan. The local portion for this capital loan is \$94,231 under Minnesota Statutes, section 126C.69, subdivision 9. This amount shall be disbursed for the approved project prior to the state loan reimbursement payments to the school district.

**Subd. 5. Atwater-Cosmos-Grove City School District;
Cosmos Elementary School Repurposing**

5,000,000

For a grant to Independent School District No. 2396, Atwater-Cosmos-Grove City Public Schools, to predesign, design, construct, furnish, and equip the renovation and repurposing of the Cosmos elementary school for use by the regional educational program for autistic students, emotionally or behaviorally disturbed students, and other students with specific educational needs.

Subd. 6. Warroad School District - Northwest Angle School

600,000

From the general fund in fiscal year 2019 for a grant to Independent School District No. 690, Warroad Public Schools, for demolition and site preparation and to predesign, design, construct, furnish, and equip the renovation and an expansion of the Northwest Angle School.

Sec. 5. MINNESOTA STATE ACADEMIES

\$2,000,000

To the commissioner of administration for capital asset preservation improvements and betterments on both campuses of the Minnesota State Academies, to be spent in accordance with Minnesota Statutes, section 16B.307.

Sec. 6. PERPICH CENTER FOR ARTS EDUCATION

\$250,000

To the commissioner of administration for capital asset preservation improvements and betterments at the Perpich Center for Arts Education, to be spent in accordance with Minnesota Statutes, section 16B.307.

Sec. 7. NATURAL RESOURCES

Subdivision 1. Total Appropriation

\$74,309,000

(a) To the commissioner of natural resources for the purposes specified in this section.

(b) The appropriations in this section are subject to the requirements of the natural resources capital improvement program under Minnesota Statutes, section 86A.12, unless this section or the statutes referred to in this section provide more specific standards, criteria, or priorities for projects than Minnesota Statutes, section 86A.12.

Subd. 2. Natural Resources Asset Preservation

26,581,000

For the renovation of state-owned facilities and recreational assets operated by the commissioner of natural resources to be spent in accordance with Minnesota Statutes, section 84.946.

Notwithstanding Minnesota Statutes, section 84.946, the commissioner may use this appropriation to replace buildings if, considering the embedded energy in the building, that is the most energy-efficient and carbon-reducing method of renovation.

Subd. 3. Flood Hazard Mitigation

20,000,000

(a) For the state share of flood hazard mitigation grants for publicly owned capital improvements to prevent or alleviate flood damage under Minnesota Statutes, section 103F.161.

(b) To the extent practical, levee projects shall meet the state standard of three feet above the 100-year flood elevation.

(c) To the extent practicable and consistent with the project, recipients of appropriations for flood control projects in this subdivision shall create wetlands that are eligible for wetland replacement credit to replace wetlands drained or filled as the result of repair, reconstruction, replacement, or rehabilitation of an existing public road under Minnesota Statutes, section 103G.222, subdivision 1, paragraphs (l) and (m).

(d) Project priorities shall be determined by the commissioner as appropriate and based on need and may include acquisition of properties prone to flooding.

(e) To the extent that the cost of a project exceeds two percent of the median household income in a municipality or township multiplied by the number of households in the municipality or township, this appropriation is also for the local share of the project.

Subd. 4. Acquisition and Betterment of Buildings

6,000,000

For acquisition, predesign, design, and construction to replace existing facilities that no longer meet the business needs of the department; for the predesign, design, and construction of a drill core facility in Hibbing; and for the design and construction of storage facilities.

Subd. 5. State Park and Recreation Area Accessibility

500,000

For the design and construction of improvements to bring the facilities within state parks and recreation areas to the Americans with Disabilities Act standards.

Subd. 6. Blufflands State Trail

1,500,000

To acquire land for, construct, and pay expenses related to an extension of the Blufflands state trail system from Harmony to the Iowa border, to include a connection to Niagara Cave in Fillmore County as authorized in Minnesota Statutes, section 85.015, subdivision 7.

Subd. 7. Chester Woods State Trail**2,500,000**

To complete construction and paving of phase one of the Chester Woods State Trail from the city of Rochester to Chester Woods Park in Olmsted County.

Subd. 8. Aitkin County - Northwoods ATV Trail**1,500,000**

For a grant to Aitkin County for predesign, design, acquisition, and development of a trail to connect the Northwoods ATV trail system with the Mille Lacs-Malmo East Loop trail system. The appropriation is not available until the commissioner of management and budget determines that \$150,000 has been committed to the project from nonstate sources.

Subd. 9. Glendalough State Park**750,000**

To predesign, design, and construct a Visitor and Trail Center in Glendalough State Park.

Subd. 10. Lake Vermilion-Soudan Underground Mine State Park**4,000,000**

For development of Lake Vermilion-Soudan Underground Mine State Park, including designing, constructing, furnishing, and equipping the Lake Lodge Visitor Center at Armstrong Bay, the Murray Spur campground site and nearby infrastructure, and renewable energy facilities in the park, and for repair and reconstruction of the mine shaft at the Soudan Underground Mine.

Subd. 11. Mill Towns State Trail**500,000**

For acquisition and design of the Mill Towns State Trail between the cities of Faribault and Waterford.

Subd. 12. Shooting Star State Trail**250,000**

To complete the Shooting Star State Trail, established under Minnesota Statutes, section 85.015, subdivision 17, to Austin.

Subd. 13. Babbitt Recreation Area**1,300,000**

For a grant under Minnesota Statutes, section 85.019, subdivision 2, to the city of Babbitt to construct a campground at the Babbitt Recreation Area.

Subd. 14. Cohasset - Tioga Recreation Area**1,000,000**

For a grant to the city of Cohasset to design, engineer, and construct an approximately 25-mile trail system for hiking, running, mountain biking, and other activities in the Tioga Recreation Area in Cohasset.

Subd. 15. Grand Marais; Lake Superior Water Access**2,000,000**

For capital improvements to a water access facility on Lake Superior in Grand Marais.

Subd. 16. La Crescent; Wagon Wheel Trail**2,500,000**

For a grant to the city of La Crescent for phase three of four phases of the Wagon Wheel Trail project, including predesign, design, engineering, and construction of a grade-separated crossing of marked Trunk Highways 14, 16, and 61 near downtown La Crescent that will connect to the existing Wagon Wheel Trail.

Subd. 17. Olmsted County; Lake Zumbro - Sedimentation Removal**640,000**

For a grant to Olmsted County for the removal of sedimentation in Lake Zumbro deposited after the removal of the Lake Shady Dam on the middle fork of the Zumbro River. This appropriation may be used for final engineering, dredging, and dredged soil disposal. This appropriation is in addition to appropriations in Laws 2012, chapter 293, and Laws 2014, chapter 294.

Subd. 18. St. Louis and Lake Counties Regional Railroad Authority - Mesabi Trail**1,138,000**

For a grant to the St. Louis and Lake Counties Regional Railroad Authority to continue construction of the Mesabi Trail, starting near Whalston Road and going toward the city of Tower for approximately 4.5 miles.

Subd. 19. Stillwater; St. Croix River Riverbank Restoration**1,650,000**

For a grant to the city of Stillwater to predesign, design, engineer, and construct restoration of the St. Croix River riverbank in the city of Stillwater and to design and construct an integrated walkway along the restored riverbank in the city.

Subd. 20. Unspent Appropriations

The unspent portion of an appropriation for a project in this section that is complete, upon written notice to the commissioner of management and budget, is available for asset preservation under Minnesota Statutes, section 84.946. Minnesota Statutes, section 16A.642, applies from the date of the original appropriation to the unspent amount transferred.

Sec. 8. POLLUTION CONTROL AGENCY**\$750,000**

To the Pollution Control Agency for a grant to Becker County under the solid waste capital assistance grant program under Minnesota Statutes, section 115A.54, to predesign, design,

construct, and equip buildings to store and process large, bulky materials, such as mattresses, that must be deconstructed before shipping to recycling facilities.

Sec. 9. **BOARD OF WATER AND SOIL RESOURCES**

Subdivision 1. **Total Appropriation**

\$7,400,000

To the Board of Water and Soil Resources for the purposes specified in this section.

Subd. 2. **Local Government Roads Wetland Replacement Program**

6,700,000

To acquire land or permanent easements and to restore, create, enhance, and preserve wetlands to replace those wetlands drained or filled as a result of the repair, reconstruction, replacement, or rehabilitation of existing public roads as required by Minnesota Statutes, section 103G.222, subdivision 1, paragraphs (l) and (m). The board may vary the priority order of Minnesota Statutes, section 103G.222, subdivision 3, paragraph (a), to implement an in-lieu fee agreement approved by the U.S. Army Corps of Engineers under section 404 of the Clean Water Act. The purchase price paid for acquisition of land or perpetual easement must be a fair market value as determined by the board. The board may enter into agreements with the federal government, other state agencies, political subdivisions, nonprofit organizations, fee title owners, or other qualified private entities to acquire wetland replacement credits in accordance with Minnesota Rules, chapter 8420.

Subd. 3. **Minnesota River Basin Area II**

700,000

For grants to local governments in Area II of the Minnesota River Basin to acquire, design, and construct floodwater management projects.

Sec. 10. **RURAL FINANCE AUTHORITY.**

\$35,000,000

For the purposes set forth in the Minnesota Constitution, article XI, section 5, paragraph (h), to the Rural Finance Authority to purchase participation interests in or to make direct agricultural loans to farmers under Minnesota Statutes, chapter 41B. This appropriation is for the beginning farmer program under Minnesota Statutes, section 41B.039; the loan restructuring program under Minnesota Statutes, section 41B.04; the seller-sponsored program under Minnesota Statutes, section 41B.042; the agricultural improvement loan program under Minnesota Statutes, section 41B.043; and the livestock expansion loan program under Minnesota Statutes, section 41B.045. All debt service on bond proceeds used to finance this appropriation must be repaid by the Rural Finance Authority under Minnesota Statutes, section

16A.643. Loan participations must be priced to provide full interest and principal coverage and a reserve for potential losses. Priority for loans must be given first to basic beginning farmer loans, second to seller-sponsored loans, and third to agricultural improvement loans.

If an appropriation for the same purpose as in this section is enacted more than once in the 2018 legislative session, the appropriation must be given effect only once. If the appropriations for the same purpose are for different amounts, the highest of the amounts is the one to be given effect.

Sec. 11. **MINNESOTA ZOOLOGICAL GARDEN**

\$6,000,000

To the Minnesota Zoological Garden Board for capital asset preservation improvements and betterments to infrastructure and exhibits at the Minnesota Zoo, to be spent in accordance with Minnesota Statutes, section 16B.307. Notwithstanding the specified uses of money under Minnesota Statutes, section 16B.307, the board may use this appropriation to replace buildings that are in poor condition, outdated, and no longer support the work of the Minnesota Zoo and to construct and renovate trails and roads on the Minnesota Zoo site.

Sec. 12. **ADMINISTRATION**

Subdivision 1. **Total Appropriation**

\$15,000,000

To the commissioner of administration for the purposes specified in this section.

Subd. 2. **Capital Asset Preservation and Replacement Account**

5,000,000

To be spent in accordance with Minnesota Statutes, section 16A.632.

Subd. 3. **Capitol Complex - Physical Security Upgrades**

10,000,000

To design, construct, and equip upgrades to the physical security elements and systems for one or more of the buildings listed in this subdivision, their attached tunnel systems, their surrounding grounds, and parking facilities as identified in the 2017 Minnesota State Capitol Complex Physical Security Predesign completed by Miller Dunwiddie. Improvements may include but are not limited to design and abatement of asbestos and hazardous materials, the installation of bollards, blast protection, infrastructure security screen walls, door access controls, emergency call stations, security kiosks, locking devices, and traffic control. This appropriation includes money for work associated with one or more of the following buildings: Administration, Centennial,

Judicial, Ag/Health Lab, Minnesota History Center, Capitol Complex Power Plant and Shops, Stassen, State Office, and Veterans Service.

Sec. 13. **AMATEUR SPORTS COMMISSION**

\$1,000,000

To the Minnesota Amateur Sports Commission for asset preservation of a capital nature at the National Sports Center in Blaine, to be spent in accordance with Minnesota Statutes, section 16B.307.

Sec. 14. **MILITARY AFFAIRS**

Subdivision 1. **Total Appropriation**

\$12,876,000

To the adjutant general for the purposes specified in this section.

Subd. 2. **Brainerd Readiness Center**

4,143,000

To design and renovate existing space at the Brainerd Readiness Center, including mechanical, electrical, building envelope, energy efficiency, and life safety improvements.

Subd. 3. **Grand Rapids Readiness Center**

2,126,000

To design and renovate existing space at the Grand Rapids Readiness Center, including mechanical, electrical, building envelope, energy efficiency, and life safety improvements.

Subd. 4. **St. Cloud Readiness Center**

4,450,000

To design and renovate existing space at the St. Cloud Readiness Center, including mechanical, electrical, building envelope, energy efficiency, and life safety improvements. The adjutant general may also use this appropriation to construct and equip an expansion of the facility.

Subd. 5. **Wadena Readiness Center**

2,157,000

To design and renovate existing space at the Wadena Readiness Center, including mechanical, electrical, building envelope, energy efficiency, and life safety improvements.

Sec. 15. **PUBLIC SAFETY**

Subdivision 1. **Total Appropriation**

\$21,700,000

To the commissioner of public safety for the purposes specified in this section.

Subd. 2. East Metro Training Facility - HERO Center**9,500,000**

For a grant to the city of Cottage Grove to construct, furnish, and equip a Health and Emergency Response Occupations (HERO) Center in Cottage Grove.

Subd. 3. Dakota County - Regional Public Safety Center**6,200,000**

For a grant to Dakota County to acquire land for and to predesign, design, construct, furnish, and equip the Safety and Mental Health Alternative Response Training (SMART) Center. The center shall serve as a centrally located regional hub and provide training space for the Minnesota Crisis Intervention Team as well as provide a central location for other public safety resources.

Subd. 4. Marshall - MERIT Center**6,000,000**

For a grant to the city of Marshall to design, construct, furnish, and equip the driver training and road course expansion of the Minnesota Emergency Response and Industrial Training (MERIT) Center in Marshall.

Sec. 16. TRANSPORTATION**Subdivision 1. Total Appropriation****\$541,830,000**

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

Subd. 2. Local Road Improvement Fund Grants**78,600,000**

(a) From the bond proceeds account in the state transportation fund as provided in Minnesota Statutes, section 174.50, for trunk highway corridor projects under Minnesota Statutes, section 174.52, subdivision 2, for construction and reconstruction of local roads with statewide or regional significance under Minnesota Statutes, section 174.52, subdivision 4, or for grants to counties to assist in paying the costs of rural road safety capital improvement projects on county state-aid highways under Minnesota Statutes, section 174.52, subdivision 4a.

(b) Of this amount, \$13,500,000 is for a grant to the city of Dayton for design, engineering, environmental analysis, property and easement acquisition, construction, and reconstruction of local roads in conjunction with an interchange on marked Interstate Highway 94 near Hennepin County State-Aid Highway 101, known as Brockton Lane, in Dayton.

(c) Of this amount, \$6,100,000 is for a grant to the city of Inver Grove Heights to predesign, design, engineer, acquire right-of-way property and temporary and permanent easements, inspect, and

construct or reconstruct: (1) realignment of Dakota County State-Aid Highway 63, known as Argenta Trail, in Inver Grove Heights, from northerly of its intersection with Amana Trail to the anticipated future alignment of 65th Street, then west to the existing Argenta Trail alignment, and in anticipation of the development of an interchange of Argenta Trail and marked Interstate Highway 494; and (2) expansion from two lanes to four lanes of Dakota County State-Aid Highway 26, known as 70th Street West, in Inver Grove Heights, from the border with Eagan to the intersection with Argenta Trail as realigned.

(d) Of this amount, \$9,000,000 is for a grant to Carver County following a jurisdictional transfer to Carver County of the affected segment of marked Trunk Highway 101. The appropriation may be used for design, right-of-way acquisition, engineering, and reconstruction of the segment transferred to the county that is between Pioneer Trail and Flying Cloud Drive, including grade separation of a multipurpose pedestrian and bicycle trail from the segment for the Minnesota River Bluffs Regional Trail and a regional trail along marked Trunk Highway 101.

Subd. 3. Local Bridge Replacement and Rehabilitation

5,000,000

From the bond proceeds account in the state transportation fund to match federal money and to replace or rehabilitate local deficient bridges as provided in Minnesota Statutes, section 174.50.

Subd. 4. Rail Service Improvement

1,550,000

From the rail service improvement account in the special revenue fund under the rail service improvement program in Minnesota Statutes, section 222.50, for grants to the Minnesota Valley Regional Rail Authority in the amount of \$1,000,000 to rehabilitate a portion of the railroad track between Winthrop and Hanley Falls, including but is not limited to environmental analysis and remediation, predesign, design, and rehabilitation or replacement of bridges or culverts, which is in addition to any other appropriation, or other grant, loan, or loan guarantee for this project made by the commissioner under Minnesota Statutes, sections 222.46 to 222.62, and the amount of \$550,000 for the grant under section 26 which is available when the commissioner determines that sufficient resources have been committed to complete the project and is available until June 30, 2023, provided that the commissioner must: convert to a grant the remaining balance on Minnesota Department of Transportation Contract No. 1000714, originally executed as of June 1, 2015, with Minnesota Commercial Railway Company; cancel all future payments under the contract; release liens on the locomotives designated as MNNR 49 and MNNR 84; and perform the appropriate filing; and provided that the commissioner is prohibited from requiring or accepting additional payments under

the contract as of the effective date of this subdivision, and that notwithstanding the loan conversion and payment cancellation under this subdivision, all other terms and conditions under Contract No. 1000714 remain effective for the duration of the period specified in the contract.

Subd. 5. Port Development Assistance

5,200,000

For grants under Minnesota Statutes, chapter 457A. Any improvements made with the proceeds of these grants must be publicly owned.

Subd. 6. Safe Routes to School

1,000,000

For grants under Minnesota Statutes, section 174.40.

Subd. 7. Brooklyn Park - Trunk Highway 169 and 101st Avenue Interchange Project

4,000,000

\$4,000,000 is from the bond proceeds account in the state transportation fund for preliminary and final design, engineering, environmental analysis, right-of-way acquisition, and construction of an interchange located at Trunk Highway 169 and 101st Avenue in the city of Brooklyn Park.

Subd. 8. Chisago County - Marked U.S. Highway 8 Reconstruction

3,000,000

From the bond proceeds account in the state transportation fund for a grant to Chisago County to acquire land and right-of-way, perform environmental analysis, predesign, and design the local road, portions of a project to reconstruct marked U.S. Highway 8 in Chisago and Washington Counties, from marked Trunk Highway 61/Forest Boulevard North up to and including the intersection at Karmel Avenue.

Subd. 9. Foley - Trunk Highway 23 Safety Improvements

500,000

Of this appropriation, \$200,000 is for safety improvements to the intersection of marked Trunk Highway 23 and 8th Avenue and Penn Street, including curb and gutters and pedestrian crossings. \$300,000 of this appropriation is from the general fund in fiscal year 2019 for pedestrian pathways, lighting, and signage.

Subd. 10. Trunk Highway 29 - Railroad Grade Separation in Pope County

10,500,000

From the bond proceeds account in the trunk highway fund for construction of the interchange at marked Trunk Highway 55 and marked Trunk Highway 29 near the city of Glenwood, including grade separation of the adjacent rail crossing of marked Trunk Highway 29.

Subd. 11. Corridors of Commerce**400,000,000**

From the bond proceeds account in the trunk highway fund for the corridors of commerce program under Minnesota Statutes, section 161.088.

This appropriation is available in the amounts of:

(1) \$150,000,000 in fiscal year 2022;

(2) \$150,000,000 in fiscal year 2023; and

(3) \$100,000,000 in fiscal year 2024.

From this appropriation, the commissioner must select projects solely using the results of the spring 2018 evaluation for the corridors of commerce program, in order based on total score, and must select at least two projects located outside the Department of Transportation metropolitan district. If funds are insufficient for an identified project, the commissioner must either select the identified project, or select one or more alternative projects that are (1) for a segment within the project limits of the identified project; and (2) also identified and scored in the spring 2018 evaluation process. For projects located outside the Department of Transportation metropolitan district, the commissioner must not select a project located in a county within which a project was selected for funding in the spring 2018 evaluation for the corridors of commerce program.

This appropriation cancels as specified under Minnesota Statutes, section 16A.642, except that the commissioner of management and budget shall count the start of authorization for issuance of state bonds as the first day of the fiscal year during which the bonds are available to be issued, and not as the date of enactment of this section.

Subd. 12. Hennepin County State-Aid Highway 9 (Rockford Road) and Marked Interstate Highway 494**9,720,000**

\$4,860,000 is from the bond proceeds account in the state transportation fund for a grant to Hennepin County, the city of Plymouth, or both, and \$4,860,000 is from the bond proceeds account in the trunk highway fund for the design, right-of-way acquisition, construction engineering, construction, and to equip the interchange at Hennepin County State-Aid Highway 9 and marked Interstate Highway 494, including replacing the County State-Aid Highway 9 bridge over marked Interstate Highway 494 and the ramps connecting County State-Aid Highway 9 and marked Interstate Highway 494, notwithstanding Minnesota Statutes, section 174.52, or any rule to the contrary.

Subd. 13. Mankato - Marked Trunk Highway 169 Reconstruction to Accommodate Raised Levee 830,000

From the bond proceeds account in the trunk highway fund for a grant to the city of Mankato for a project to reconstruct a segment of marked Trunk Highway 169 north of the Highway 14 interchange to accommodate the raising of a levee. This appropriation is for the local shares the cities of Mankato and North Mankato are responsible for under the state's Cost Participation and Maintenance with Local Units of Government Manual, or any contract between the state and the city of Mankato.

Subd. 14. Wadena - U.S. Highway 10 Environmental Cleanup 5,000,000

From the bond proceeds account in the state transportation fund as provided in Minnesota Statutes, section 174.50, for a grant to the city of Wadena for environmental analysis and environmental cleanup and construction of storm water drainage within the marked U.S. Highway 10 corridor in the city of Wadena.

Subd. 15. Becker - Industrial Park Road Improvements 3,300,000

For a grant to the city of Becker for design, engineering, and construction of road and infrastructure improvements within the city's industrial park to provide better mobility to marked U.S. Highway 10. This appropriation includes money for improvements to an existing portion of Hancock Street South, new construction of an extension of Hancock Street South, and construction of sanitary sewer, water main, storm sewer, and other publicly owned infrastructure.

Subd. 16. Wakefield - 200th Street Reconstruction 600,000

From the bond proceeds account in the state transportation fund as provided in Minnesota Statutes, section 174.50, to the town of Wakefield, the town of Luxembourg, or grants to both townships, for reconstruction of an approximately 2.7 mile portion of 200th Street, a township line road in Stearns County.

Subd. 17. Rochester - Bus Storage Facility Expansion 2,500,000

For a grant to the city of Rochester to predesign, design, construct, furnish, and equip an expansion to the city's existing bus storage facility.

Subd. 18. Goodview, Minnesota City - Railroad Crossing Quiet Zone 330,000

For a grant to the city of Goodview for construction of a railroad crossing quiet zone that consists of construction and installation of concrete median barriers and associated road improvements at five Canadian Pacific railroad crossings in the cities of Goodview and Minnesota City.

Subd. 19. Hennepin County - Railroad Crossing Safety1,200,000

For one or more grants to Hennepin County or the affected city in the county to construct railroad crossing safety improvements in Hennepin County. Of this amount, \$350,000 is for crossings at Townline Road and marked County Road 19 in the city of Loretto; \$450,000 is for crossings at marked Road 116/County Road 115 and Arrowhead Drive in the city of Medina; and \$400,000 is for crossings at East Lake Street and Barry Avenue in the city of Wayzata.

Subd. 20. New Brighton - Rice Creek Railroad Bridge1,000,000

For a grant to Minnesota Commercial Railway Company to demolish the existing railroad bridge over Rice Creek in New Brighton and to predesign, design, acquire any right-of-way needed, engineer, construct, and equip a replacement railroad bridge to meet the needs of the railroad operators that use the bridge. This grant is contingent on:

(1) review and approval of the railway company's design, engineering, and plans for the project by Ramsey County to ensure the project does not interfere with recreational use of adjacent park property and Rice Creek, and by the Rice Creek Watershed District to ensure that the project's impact on flows in the creek is in accordance with the watershed district's adopted rules. These reviews and approvals are in addition to any other reviews, permits, or approvals required for the project;

(2) Minnesota Commercial Railway Company removing all structures related to the existing bridge from the Rice Creek streambed as part of the demolition and removal of the existing bridge, including any pilings, footings, or water control structures placed to protect the existing bridge structures, except to the extent prohibited by a permitting authority, including but not limited to the Department of Natural Resources and the United States Army Corps of Engineers. The replacement bridge and structures will be the property of the owner of the railroad right-of-way and railroad operator, as may be arranged between them; and

(3) Minnesota Commercial Railway Company entering into an agreement with Ramsey County that gives the company access for both construction and ongoing maintenance of the bridge, and that provides for repair of the county trail damaged by railway maintenance work in the two years before the effective date of this section as well as immediately following construction and any subsequent maintenance activities.

In entering into a grant agreement with the commissioner of transportation, Minnesota Commercial Railway Company is agreeing to cooperate with the city of New Brighton and Ramsey County in development of crossings and trails in or near to the railway right-of-way.

Subd. 21. Moorhead - Rail Grade Crossing Separation at 21st Street South

6,000,000

For a grant to the city of Moorhead for environmental analysis, design, engineering, removal of an existing structure, and construction of a rail grade crossing separation in the vicinity of 21st Street South. This appropriation is in addition to the appropriation for the same purpose in Laws 2017, First Special Session chapter 8, article 1, section 15, subdivision 4.

Subd. 22. Rosemount - Railroad Quiet Zone

1,000,000

For a grant to the city of Rosemount to predesign, design, and construct railroad crossing improvements to create a quiet zone at the railroad crossing located on Bonaire Path in Rosemount.

Subd. 23. Stone Arch Bridge

1,000,000

For the design and engineering of the rehabilitation of the James J. Hill Stone Arch Bridge over the Mississippi River.

Sec. 17. METROPOLITAN COUNCIL

Subdivision 1. Total Appropriation

\$15,900,000

To the Metropolitan Council for the purposes specified in this section.

Subd. 2. Metropolitan Cities Inflow and Infiltration Grants

5,000,000

For grants to cities within the metropolitan area, as defined in Minnesota Statutes, section 473.121, subdivision 2, for capital improvements in municipal wastewater collection systems to reduce the amount of inflow and infiltration to the Metropolitan Council's metropolitan sanitary sewer disposal system. Grants from this appropriation are for up to 50 percent of the cost to mitigate inflow and infiltration in the publicly owned municipal wastewater collection systems. To be eligible for a grant, a city must be identified by the council as a contributor of excessive inflow and infiltration in the metropolitan disposal system or have a measured flow rate within 20 percent of its allowable council-determined inflow and infiltration limits. The council must award grants based on applications from cities that identify eligible capital costs and include a timeline for inflow and infiltration mitigation construction, pursuant to guidelines established by the council.

Subd. 3. Carver County - Lake Waconia Development

1,500,000

For a grant to Carver County to predesign, to design, and for engineering of development of Lake Waconia Regional Park including construction of sewer and water utilities to the site, site grading, construction of a parking lot, and road improvements.

Subd. 4. Loretto - Wastewater Connection**400,000**

For a grant to the city of Loretto to connect the city's existing wastewater collection system to the force main in the city of Independence for wastewater treatment by the wastewater treatment system shared by the cities of Independence, Greenfield, and Medina.

Subd. 5. New Hope - Outdoor Swimming Pool**2,000,000**

For a grant to the city of New Hope to predesign, design, construct, and equip an outdoor 50-meter swimming pool on the civic center campus.

Subd. 6. St. Paul - Nature Sanctuary Visitor Center**3,000,000**

For a grant to the city of St. Paul to predesign, design, construct, furnish, and equip a visitor and interpretive center in the Bruce Vento Nature Sanctuary in St. Paul for programs that the city determines meet regional and city park purpose requirements. The city may enter into a lease or management agreement under Minnesota Statutes, section 16A.695, to operate the programs in the center.

Subd. 7. White Bear Lake Trail and Route**4,000,000**

(a) To the Metropolitan Council for grants to complete design and construction of a multiuse paved trail and route for pedestrians, bicycles, and wheelchairs around White Bear Lake in Ramsey and Washington Counties.

(b) \$2,600,000 of this appropriation is for a grant to Ramsey County to design and construct trail improvements, consistent with the completed preliminary engineering, along South Shore Boulevard between White Bear Avenue and marked Trunk Highway 120 and to pave an existing dirt path within the Ramsey County Beach and Water Park from the entrance to the park at Highway 96 to the northeast edge of the park.

(c) \$1,400,000 of this appropriation is for a grant to the city of Mahtomedi to design and construct and design, construct, and equip elements of the trail and route along or proximate to Birchwood Road, Wildwood Beach Road, and on or in the proximity of Briarwood Road, consistent with the completed preliminary engineering, and final design and specification, subject to approval of the commissioner of transportation with regard to elements of the trail and route that are within or adjacent to the right-of-way of marked Trunk Highway 244.

Sec. 18. **HUMAN SERVICES****Subdivision 1. Total Appropriation****\$ 74,723,000**

To the commissioner of administration, or other named entity, for the purposes specified in this section.

Subd. 2. Asset Preservation**10,000,000**

For asset preservation improvements and betterments of a capital nature at Department of Human Services facilities statewide, to be spent in accordance with Minnesota Statutes, section 16B.307.

Subd. 3. St. Peter Regional Treatment Center Campus - Dietary Building HVAC and Electrical Replacement**2,200,000**

To predesign, design, engineer, and renovate the mechanical and electrical systems in the Dietary Building on the St. Peter Regional Treatment Center campus, including: the upgrade, replacement, and improvement of existing heating and ventilation equipment; installation of air-conditioning equipment; replacement of the building's outdated and undersized electrical system; design and abatement of asbestos and hazardous materials; and structural, site, and utility work necessary to support the project.

Subd. 4. Anoka Metro Regional Treatment Center - Roof and HVAC Replacement**6,550,000**

To predesign, design, engineer, construct, and equip improvements on the Anoka Metro Regional Treatment Center campus, including but not limited to design and abatement of asbestos and hazardous materials, replacement of roofs on residential units, installation of metal wall cladding on the mechanical penthouses, installation of new heating, ventilation, and air conditioning systems, fire sprinkler systems, electrical lighting systems in the Miller Building, and installation of a new heating system in the warehouse building.

Subd. 5. Regional Behavioral Health Crisis Facility Grants**28,100,000**

To the commissioner of human services for behavioral health crisis program facilities grants under Minnesota Statutes, section 245G.011.

Subd. 6. Minneapolis - The Family Partnership**10,000,000**

To the commissioner of human services for a grant to the city of Minneapolis to acquire real property, demolish unusable portions of the existing building, renovate some areas of the existing building, construct new space, and to furnish and equip the facility to provide mental health, early childhood education, and other

services to support children and families. The city of Minneapolis may operate a center providing services for Minnesota victims of sex trafficking; trauma-informed counseling services; early learning programming and therapeutic childcare; and statewide training for professionals and community leaders.

Subd. 7. Scott County - Regional Crisis Stabilization and Intensive Residential Treatment Services Facility

1,900,000

To the commissioner of human services for a grant to Scott County to design, construct, furnish, and equip a facility in the city of Savage to provide regional intensive residential and treatment services (IRTS) and residential crisis stabilization subject to Minnesota Statutes, section 16A.695. This appropriation shall be used for construction of a 16-bed facility in conjunction with Guild Incorporated, a nonprofit organization based in St. Paul, to maximize the space available for 16 IRTS and crisis stabilization beds. The new facility shall provide acute stabilization and treatment for persons with a primary or secondary mental health diagnosis in lieu of inpatient psychiatric hospitalization.

Subd. 8. White Earth - Opiate Treatment Facility

900,000

From the general fund in fiscal year 2019 to the commissioner of human services for a grant to the tribal council of the White Earth Nation to refurbish and equip the White Earth Opiate Treatment Facility on the White Earth Reservation. The facility shall treat Native Americans and provide culturally specific programming to individuals placed in the treatment center.

Subd. 9. Hennepin County - Regional Medical Examiner's Facility

15,073,000

For a grant to Hennepin County to design, construct, furnish, and equip a 67,000 square foot regional, state-of-the-art medical examiner's facility. The facility shall: (1) provide forensic death investigation and autopsy services for Dakota, Hennepin, and Scott Counties with the flexibility to accommodate future partner counties and agencies; (2) serve as a teaching facility for the state, on the science of forensic pathology; and (3) be located in southern Hennepin County at a site that best supports access needs for the three founding counties and reasonable scene response times for the geographic service area.

Sec. 19. VETERANS AFFAIRS

Subdivision 1. Total Appropriation

\$41,000,000

To the commissioner of administration for the purposes specified in this section.

Subd. 2. Asset Preservation**9,000,000**

For asset preservation improvements and betterments of a capital nature at the veterans homes in Minneapolis, Hastings, Fergus Falls, Silver Bay, and Luverne, and the Little Falls Cemetery, to be spent in accordance with Minnesota Statutes, section 16B.307.

Subd. 3. Bemidji, Montevideo, and Preston - New Veterans Homes**32,000,000**

(a) \$12,400,000 of this appropriation is to predesign, design, construct, furnish, and equip a veterans home in Bemidji. \$9,400,000 of this appropriation is to predesign, design, construct, furnish, and equip a veterans home in Montevideo. \$10,200,000 of this appropriation is to predesign, design, construct, furnish, and equip a veterans home in Preston.

(b) These veterans homes are subject to the requirements of the People's Veterans Homes Act in article 2.

Sec. 20. CORRECTIONS**Subdivision 1. Total Appropriation****\$39,950,000**

To the commissioner of administration for the purposes specified in this section.

Subd. 2. Asset Preservation**22,000,000**

For asset preservation improvements and betterments of a capital nature at Minnesota correctional facilities statewide, to be spent in accordance with Minnesota Statutes, section 16B.307.

Subd. 3. Minnesota Correctional Facility - St. Cloud**16,000,000**

To design, upgrade, construct, replace, and install new plumbing, ventilation, and exhaust systems as required by code and to meet other requirements. This appropriation includes money for design and abatement of asbestos and hazardous materials.

Subd. 4. Minnesota Correctional Facility - Moose Lake**1,950,000**

To predesign, design, construct, furnish, and equip the renovation and expansion of the outdated master control center at the Minnesota Correctional Facility - Moose Lake to improve security and efficiency. The renovation includes updating fire alarm panels and mechanical and electrical systems and improving visibility of the visiting area.

Subd. 5. Unspent Appropriations

The unspent portion of an appropriation for a Department of Corrections project in this section that is complete, upon written notice to the commissioner of management and budget, is available for asset preservation under Minnesota Statutes, section 16B.307. Minnesota Statutes, section 16A.642, applies from the date of the original appropriation to the unspent amount transferred.

Sec. 21. EMPLOYMENT AND ECONOMIC DEVELOPMENT**Subdivision 1. Total Appropriation****\$109,085,000**

To the commissioner of employment and economic development for the purposes specified in this section.

Subd. 2. Greater Minnesota Business Development Public Infrastructure Grants5,000,000

For grants under Minnesota Statutes, section 116J.431.

Subd. 3. Transportation Economic Development3,000,000

For grants under Minnesota Statutes, section 116J.436.

Subd. 4. Innovative Business Development Public Infrastructure Grants2,000,000

For grants under Minnesota Statutes, section 116J.435.

Subd. 5. Austin - Public TV2,500,000

For a grant to the city of Austin to acquire land for, and to predesign, design, construct, furnish, and equip a regional public television station in the city of Austin.

Subd. 6. Brooklyn Park - Second Harvest18,000,000

For a grant to the city of Brooklyn Park to acquire land for, and to predesign, design, construct, furnish, and equip a statewide Second Harvest Heartland charitable food warehouse, distribution, and office facility in the city of Brooklyn Park. The city may enter into lease or management agreements under Minnesota Statutes, section 16A.695, for operation of the facility. Amounts expended for this project by nonstate sources since June 1, 2016, shall count toward the nonstate match.

Subd. 7. CentraCare Health System - Long Prairie**700,000**

From the general fund in fiscal year 2019 for a grant to CentraCare Health System - Long Prairie to design, construct, furnish, and equip the Regional Wellbeing Center in Long Prairie. The money may be used for any construction, equipment, or installation costs incurred after April 1, 2018.

Subd. 8. Duluth - Steam Plant**6,900,000**

From the general fund in fiscal year 2019 for a grant to the city of Duluth for the same purposes as in Laws 2017, First Special Session chapter 8, article 1, section 20, subdivision 7, the Duluth municipal district heating facility and systems upgrade.

Subd. 9. Fergus Falls - Regional Treatment Center Redevelopment**3,500,000**

For a grant to the city of Fergus Falls for phases 2 and 3 of the deconstruction of the former regional treatment center campus to prepare the site for public use, redevelopment, and historic preservation purposes. This appropriation includes money for demolition of all or portions of buildings and other structures deemed unnecessary or undesirable for redevelopment or renovation, removal of debris, site preparation and remediation, hazardous materials abatement, and improvements for building envelope and structural integrity to stabilize existing buildings and structures for redevelopment or renovation. This demolition is part of a larger project to redevelop the campus of the regional treatment center. This appropriation may not be used to demolish the central tower or the U-shaped building connected to the central tower.

Subd. 10. Goodhue County - Historical Society Museum**616,000**

For a grant to the city of Red Wing for replacement of the Goodhue County Historical Society Museum building's HVAC system, roofing, and windows, and for renovation of the building's storefront entrance.

Subd. 11. Hennepin County - Children's Theatre**1,000,000**

For a grant to Hennepin County to design, renovate, furnish, and equip the Children's Theatre Company's current facility, including improvements to the facility's existing heating, ventilation, and air conditioning system, subject to Minnesota Statutes, section 16A.695.

Subd. 12. Hennepin County - Hennepin Center for the Arts**1,400,000**

From the general fund in fiscal year 2019 for a grant to Hennepin County for improvements and betterments of a capital nature to renovate the historic Hennepin Center for the Arts. This appropriation is in addition to the appropriation in Laws 2017, First Special session chapter 8, article 1, section 20, subdivision 10, and no further nonstate contribution is required.

Subd. 13. Itasca County - Northern Community Radio Infrastructure**514,000**

For a grant to Itasca County for site preparation, including deconstruction and removal of the old KAXE Northern Community Radio broadcast tower, and to design, construct, and equip a new broadcast tower, transmitter, and transmission building in Trout Lake Township for a 100,000-watt public radio station to replace the KAXE Northern Community Radio transmission plant.

Subd. 14. Jackson - Memorial Park**290,000**

For a grant to the city of Jackson to complete phase I of the redevelopment of Memorial Park, including trails, landscaping, a canoe launch, and other amenities.

Subd. 15. Litchfield - Opera House**100,000**

From the general fund in fiscal year 2019 for a grant to the Greater Litchfield Opera House Association to repair and update the electrical capabilities and interior walls in the Litchfield Opera House.

Subd. 16. Minneapolis - Upper Harbor Terminal Redevelopment**15,000,000**

For a grant to the city of Minneapolis, the Minneapolis Park and Recreation Board, or both, for predesign, design, and construction work for site preparation and for park and public infrastructure improvements to support an initial phase of redevelopment of the Upper Harbor Terminal on the Mississippi River; a site that was rendered inoperable for barging by the federal closure of the Upper St. Anthony Falls Lock.

Subd. 17. Minneapolis - American Indian Center**5,000,000**

From the general fund in fiscal year 2019 for a grant to the Minneapolis American Indian Center to design, construct, furnish, and equip the renovation and expansion of the center on Franklin Avenue. This project includes: demolition work; improvements and additions to, or replacement of, the mechanical, electrical,

plumbing, heating, ventilating, and air conditioning systems; repairs to the existing roof and exterior enclosure; required site improvements; general renovation of interior spaces; and expansion of the cafe space, the event spaces, and the performance spaces.

Subd. 18. Pipestone County - Dental Facility

500,000

For a grant to Pipestone County to predesign, design, construct, furnish, and equip a dental care facility in Pipestone County. The county may enter into an agreement under Minnesota Statutes, section 16A.695, for operation of the dental clinic.

Subd. 19. Perham - Redevelopment

6,000,000

For a grant to the city of Perham to design, construct, redevelop, renovate, furnish, and equip buildings, land, and infrastructure at the site of the area community center and former high school for use as a community family services center, subject to Minnesota Statutes, section 16A.695.

Subd. 20. Polk County - North Country Food Bank

3,000,000

For a grant to Polk County to predesign, design, construct, renovate, furnish, and equip a regional charitable food warehouse, distribution, and office facility in the city of Crookston, subject to Minnesota Statutes, section 16A.695.

Subd. 21. Ramsey County - Landmark Center

350,000

From the general fund in fiscal year 2019 for a grant to Ramsey County to renovate and construct improvements to restroom facilities in the Landmark Center in the city of St. Paul.

Subd. 22. Rosemount - Family Resource Center

450,000

For a grant to the city of Rosemount to design, construct, furnish, and equip an addition to the Family Resource Center in the city of Rosemount, to provide after-school tutoring, a food shelf, and other programs, subject to Minnesota Statutes, section 16A.695.

Subd. 23. Silver Bay - Black Beach Campground

1,765,000

For a grant to the city of Silver Bay to predesign, design, construct, furnish, and equip a campground adjacent to the Black Beach recreational beach in Silver Bay, including camping sites; electrical, water, and sewer infrastructure; a playground; a pavilion; lavatory vaults; a shower and lavatory building; and a main office building. This appropriation may also be used to design, construct, and equip a walking trail from the campground to the Black Beach recreational site. The nonstate contribution

may be made in-kind. In-kind contributions may include site preparation, whether begun before or after the effective date of this section.

Subd. 24. St. Paul - Conway Recreation Center

4,500,000

For a grant to the city of St. Paul to complete the construction of playing fields and expansion of facilities at the Conway Community Recreation Center, including the renovation of and addition to the existing structure at the field location, site remediation, design and site improvements, construction of seasonal dome infrastructure, and construction of four turf athletic fields. The city may enter into a lease management agreement under Minnesota Statutes, section 16A.695, for operation of the facility.

Subd. 25. St. Paul - Humanities Center

1,000,000

For a grant to the city of St. Paul for asset preservation of the Minnesota Humanities Center's main facility, including mechanical systems upgrades, including heating, ventilation, and cooling, subject to Minnesota Statutes, section 16A.695.

Subd. 26. St. Paul - Minnesota Museum of American Art

2,500,000

For a grant to the St. Paul Port Authority to acquire, design, construct, furnish, and equip the Minnesota Museum of American Art in the historic Pioneer Endicott Building. This appropriation is in addition to the amount appropriated by Laws 2017, First Special Session chapter 8, article 1, section 20, subdivision 21, and is available in accordance with the requirements of that subdivision. This appropriation may be used as needed for the costs of the project, including but not limited to secure loading dock, and art restoration and exhibit preparation areas.

Subd. 27. St. Paul - RiverCentre Parking Facility

5,000,000

For a grant to the city of St. Paul for demolition of the existing RiverCentre ramp and removal of debris. This demolition is part of a larger project to rebuild the parking facility.

Subd. 28. St. Paul - Southeast Asian Language Job Training Facilities

5,500,000

For a grant to the city of St. Paul to predesign, design, renovate, construct, furnish, and equip a bus driver and mechanics training facility on Acker Street in St. Paul for training drivers and mechanics through programming primarily in the Southeast Asian languages, and to predesign, design, renovate, construct, furnish, and equip a training facility on Plato Avenue in St. Paul to be used during renovation of the Acker Street facility and for use as a

training facility for health care, manufacturing, and information technology jobs through programming primarily in the Southeast Asian languages. This appropriation may be used to acquire property for these purposes. The city of St. Paul may enter into a lease or management agreement with a nonprofit corporation for either or both of these facilities under Minnesota Statutes, section 16A.695.

Subd. 29. Wabasha - National Eagle Center and Wabasha Rivertown Resurgence

8,000,000

For a grant to the city of Wabasha to acquire land, predesign, design, renovate, construct, furnish, and equip the National Eagle Center in order to expand program and exhibit space, increase aviary space for eagles, and for improvements to the riverfront in Wabasha for infrastructure, large vessel landing areas and docks, and public access and program areas.

Subd. 30. Waite Park - Quarry Redevelopment

5,000,000

For a grant to the city of Waite Park to redevelop a former quarry site located off Parkway Drive and 17th Avenue South as a regional park and to predesign, design, construct, furnish, and equip a public open-air stage and related facilities. The city may enter into one or more lease or management agreements for operation of the open-air stage and related facilities, subject to Minnesota Statutes, section 16A.695.

Sec. 22. PUBLIC FACILITIES AUTHORITY

Subdivision 1. Total Appropriation

\$64,350,000

To the Public Facilities Authority for the purposes specified in this section.

Subd. 2. State Match for Federal Grants

14,000,000

To match federal grants for the clean water revolving fund under Minnesota Statutes, section 446A.07, and the drinking water revolving fund under Minnesota Statutes, section 446A.081. This appropriation must be used for qualified capital projects.

Subd. 3. Water Infrastructure Funding Program

25,000,000

(a) For grants to eligible municipalities under the water infrastructure funding program under Minnesota Statutes, section 446A.072.

(b) This appropriation is for drinking water projects listed on the commissioner of health's project priority list in the fundable range under the drinking water revolving fund program.

(c) After all eligible projects under paragraph (b) have been funded, the Public Facilities Authority may transfer any remaining, uncommitted money to eligible projects under a program in either the clean water revolving fund or the drinking water fund based on that program's project priority list.

(d) Notwithstanding Minnesota Statutes, section 446A.072, subdivision 5a, paragraph (b), the Western Lake Superior Sanitary District is eligible for a grant to predesign, design, construct, furnish, and equip a combined heat and power system.

Subd. 4. Arden Hills - Water Main 500,000

For a grant to the city of Arden Hills to install a water main extending along Highway 96, from Highway 10 to Interstate Highway 35W.

Subd. 5. Albertville - Wastewater Infrastructure 2,000,000

For a grant to the city of Albertville to design and construct wastewater infrastructure improvements.

Subd. 6. Aurora; Hoyt Lakes; Biwabik; and White Township - Drinking Water System 2,500,000

For a grant to the city of Aurora to acquire land or a permanent interest in land, design, engineer, construct, furnish, and equip a comprehensive municipally owned cooperative joint drinking water system in the cities of Aurora, Hoyt Lakes, and Biwabik, and White Township, including a water intake and treatment plant located in White Township.

Subd. 7. Big Lake - Wastewater Treatment Facility 1,000,000

For a grant to the city of Big Lake to predesign, design, and construct improvements to or the replacement of the city's wastewater treatment facility.

Subd. 8. Cold Spring - Water Infrastructure 4,000,000

For a grant to the city of Cold Spring to acquire land, predesign, design, engineer, construct, furnish, and equip water infrastructure, including drilling new wells, a water treatment plant, and piping for water distribution.

Subd. 9. Glencoe - Wastewater Treatment Facility 3,000,000

For a grant to the city of Glencoe to design, engineer, construct, and equip renovation of the municipal wastewater treatment facility and for other improvements to publicly owned wastewater infrastructure. This appropriation is available when the

commissioner of management and budget determines that sufficient resources have been committed to complete the project, as required by Minnesota Statutes, section 16A.502.

Subd. 10. Keewatin; Nashwauk; Lone Pine Township; And Greenway Township - Wastewater Treatment Facility

850,000

For a grant to a joint powers authority entered into by the city of Keewatin, the city of Nashwauk, Lone Pine Township, and Greenway Township to predesign, design, and engineer a regional wastewater treatment system located in the city of Nashwauk to serve the communities represented by the joint powers authority and other communities.

Subd. 11. Oronoco - Wastewater Infrastructure

2,500,000

For a grant to the city of Oronoco to acquire land or permanent easements, predesign, design, and survey for wastewater infrastructure to serve the city of Oronoco and the region including the Oronoco Estates Mobile Home Community. If this appropriation exceeds the amount needed for acquisition, predesign, design, and surveying, the remainder of the appropriation may be applied to acquisition or construction.

Subd. 12. St. James - Storm Sewer and Utilities

3,000,000

For a grant to the city of St. James to design, engineer, and construct an extension of the storm sewer retention pond in the northwest portion of the city, including reconstruction of streets, sidewalks, storm water and sanitary sewer, water mains, lighting, and utilities.

Subd. 13. Waldorf - Water and Public Infrastructure

1,900,000

For grants to the city of Waldorf. Of this amount, \$1,294,000 is to design, construct, and equip a stabilization pond system, a wastewater collection system, a water treatment and distribution system, and storm water drainage systems. Of this amount, \$606,000 is for capital improvements to streets and other publicly owned infrastructure.

Subd. 14. Windom - Wastewater Treatment Facility

3,000,000

For a grant to the city of Windom to design, construct, and equip capital improvements to renovate and upgrade the municipal wastewater treatment facility.

Subd. 15. Winnebago - Drinking Water

1,100,000

To the city of Winnebago to predesign, design, engineer, and reconstruct the drinking water distribution system and the sanitary and storm sewer collection systems in the northwest utility improvement area.

Sec. 23. **MINNESOTA HOUSING FINANCE AGENCY****\$10,000,000**

For transfer to the housing development fund to finance the costs of rehabilitation to preserve public housing under Minnesota Statutes, section 462A.202, subdivision 3a. For purposes of this section, "public housing" means housing for low-income persons and households financed by the federal government and owned and operated by the public housing authorities and agencies formed by cities and counties. Public housing authorities receiving a public housing assessment composite score of 80 or above or an equivalent designation are eligible to receive funding. Priority must be given to proposals that maximize federal or local resources to finance the capital costs. The priority in Minnesota Statutes, section 462A.202, subdivision 3a, for projects to increase the supply of affordable housing and the restrictions of Minnesota Statutes, section 462A.202, subdivision 7, do not apply to this appropriation.

Sec. 24. **MINNESOTA HISTORICAL SOCIETY**Subdivision 1. **Total Appropriation****\$23,000,000**

To the Minnesota Historical Society for the purposes specified in this section.

Subd. 2. **Historic Sites Asset Preservation****8,000,000**

For capital improvements and betterments at state historic sites, buildings, landscaping at historic buildings, exhibits, markers, and monuments, to be spent in accordance with Minnesota Statutes, section 16B.307. The society shall determine project priorities as appropriate based on need.

Subd. 3. **Historic Fort Snelling Visitor Center****15,000,000**

To demolish the existing visitor center and to renovate, construct, furnish, and equip facilities, including landscaping and wayfinding, to support visitor services at Historic Fort Snelling.

Sec. 25. **BOND SALE EXPENSES**Subdivision 1. **Total Appropriation****\$1,310,000**

To the commissioner of management and budget for the purposes specified in this section.

Subd. 2. **Bond Proceeds Fund****892,000**

From the bond proceeds fund for bond sale expenses under Minnesota Statutes, section 16A.641, subdivision 8.

Subd. 3. Trunk Highway Fund**418,000**

From the bond proceeds account in the trunk highway fund for bond sale expenses under Minnesota Statutes, sections 16A.641, subdivision 8, and 167.50, subdivision 4.

Sec. 26. BOND SALE AUTHORIZATION.

Subdivision 1. **Bond proceeds fund.** To provide the money appropriated in this act from the bond proceeds fund, the commissioner of management and budget shall sell and issue bonds of the state in an amount up to \$776,980,000 in the manner, upon the terms, and with the effect prescribed by Minnesota Statutes, sections 16A.631 to 16A.675, and by the Minnesota Constitution, article XI, sections 4 to 7.

Subd. 2. **Transportation fund.** To provide the money appropriated in this act from the state transportation fund, the commissioner of management and budget shall sell and issue bonds of the state in an amount up to \$101,060,000 in the manner, upon the terms, and with the effect prescribed by Minnesota Statutes, sections 16A.631 to 16A.675, and by the Minnesota Constitution, article XI, sections 4 to 7.

Subd. 3. **Maximum effort school loan fund.** To provide the money appropriated in this act from the maximum effort school loan fund, the commissioner of management and budget shall sell and issue bonds of the state in an amount up to \$14,000,000 in the manner, upon the terms, and with the effect prescribed by Minnesota Statutes, sections 16A.631 to 16A.675, and by the Minnesota Constitution, article XI, sections 4 to 7.

Subd. 4. **Trunk highway fund.** To provide the money appropriated in this article from the bond proceeds account in the trunk highway fund, the commissioner of management and budget shall sell and issue bonds of the state in an amount up to \$416,608,000 in the manner, upon the terms, and with the effect prescribed by Minnesota Statutes, sections 167.50 to 167.52, and by the Minnesota Constitution, article XIV, section 11, at the times and in the amounts requested by the commissioner of transportation. The proceeds of the bonds, except accrued interest and any premium received from the sale of the bonds, must be deposited in the bond proceeds account in the trunk highway fund.

Sec. 27. CANCELLATION.

The uncommitted and unobligated amount of the appropriation from the bond proceeds fund in Laws 2011, First Special Session chapter 12, section 18, subdivision 4, for the transportation improvements within the Lindau Lane corridor in Bloomington, estimated to be \$4,035,839, is canceled, and the bond sale authorization in Laws 2011, First Special Session chapter 12, section 23, subdivision 1, is reduced by the same amount.

Sec. 28. Laws 2017, First Special Session chapter 8, article 1, section 27, is amended to read:

Sec. 27. BOND SALE SCHEDULE.

The commissioner of management and budget shall schedule the sale of state general obligation bonds so that, during the biennium ending June 30, 2019, no more than ~~\$1,555,301,000~~ \$1,138,523,000 will need to be transferred from the general fund to the state bond fund to pay principal and interest due and to become due on outstanding state general obligation bonds. During the biennium, before each sale of state general obligation bonds, the commissioner of management and budget shall calculate the amount of debt service payments needed on bonds previously issued and shall estimate the amount of debt service payments that will be needed on the bonds scheduled to be sold. The commissioner shall adjust the amount of bonds scheduled to be sold so as to remain within the limit set by this section. The amount needed to make the debt service payments is appropriated from the general fund as provided in Minnesota Statutes, section 16A.641.

Sec. 29. **TRUNK HIGHWAY BOND APPROPRIATIONS, AUTHORIZATION TAKE EFFECT ONLY ONCE.**

If an appropriation from the bond proceeds account in the trunk highway fund, and a corresponding authorization to sell trunk highway bonds, for the same purpose as in this act is enacted more than once in the 2018 legislative session, the appropriation and bond sale authorization must be given effect only once. If the appropriation and authorization for the same purpose are for different amounts, the highest of the amounts is the one to be given effect.

Sec. 30. **EFFECTIVE DATE.**

Except as otherwise provided, this article is effective the day following final enactment.

ARTICLE 2
MISCELLANEOUS

Section 1. Minnesota Statutes 2016, section 15B.32, as amended by Laws 2017, First Special Session chapter 8, article 2, section 1, is amended to read:

15B.32 STATE CAPITOL PRESERVATION COMMISSION.

Subdivision 1. **Definitions.** (a) As used in this section and section 15B.36, the terms defined in this subdivision have the following meanings.

(b) "Commission" means the State Capitol Preservation Commission created under this section.

(c) "Capitol Area" means the geographic area defined in section 15B.02.

(d) "Board" means the Capitol Area Architectural and Planning Board created under section 15B.03.

(e) "Predesign" has the meaning given in section 16B.335, subdivision 3, paragraph (a).

Subd. 2. **Membership.** The State Capitol Preservation Commission consists of ~~22~~ 24 members, appointed as follows:

(1) the governor;

(2) the lieutenant governor;

(3) the attorney general;

(4) the chief justice of the Supreme Court, or the chief justice's designee, who shall be a member of the Supreme Court;

(5) the majority leader of the senate or the majority leader's designee, who shall be a member of the senate;

(6) the minority leader of the senate or the minority leader's designee, who shall be a member of the senate;

(7) the speaker of the house or the speaker's designee, who shall be a member of the house of representatives;

(8) the minority leader of the house of representatives or the minority leader's designee, who shall be a member of the house of representatives;

~~(7)~~ (9) two members of the senate, including one member from the majority party appointed by the majority leader and one member from the minority party appointed by the minority leader;

~~(8)~~ (10) two members of the house of representatives, including one member appointed by the speaker of the house and one member from the minority party appointed by the minority leader;

~~(9)~~ (11) the chair and ranking minority member of the house of representatives committee with jurisdiction over capital investment and the chair and ranking minority member of the senate committee with jurisdiction over capital investment;

~~(40)~~ (12) the commissioner of administration or the commissioner's designee;

~~(41)~~ (13) the commissioner of public safety or the commissioner's designee;

~~(42)~~ (14) the executive director of the Minnesota Historical Society or the executive director's designee;

~~(43)~~ (15) the executive secretary of the Capitol Area Architectural and Planning Board; and

~~(44)~~ (16) four public members appointed by the governor.

Subd. 3. **Terms and compensation.** (a) A member serving on the commission because the member or the appointing authority for the member holds an elected or appointed office shall serve on the commission as long as the member or the appointing authority holds the office.

(b) Public members of the commission shall serve two-year terms. The public members may not serve for more than three consecutive terms.

(c) The removal of members and filling of vacancies on the commission are as provided in section 15.059. ~~Public members may receive compensation and expenses as provided under section 15.059, subdivision 3.~~

Subd. 4. **Officers and meetings.** (a) The governor is the chair of the commission. The lieutenant governor is the vice-chair of the commission and may act as the chair of the commission in the absence of the governor. The governor may designate a staff member to attend commission meetings and vote on the governor's behalf in the absence of the governor.

(b) The commission shall meet at least annually and at other times at the call of the chair. Meetings of the commission are subject to chapter 13D.

Subd. 5. **Administrative support.** ~~The commission may designate an executive secretary and obtain administrative support through a contract with a state agency or other means.~~ The commissioner of administration shall provide administrative support to the commission.

Subd. 6. **Duties.** (a) The commission:

(1) shall exercise ongoing coordination of the ~~restoration~~, protection, risk management, and preservation of the Capitol building;

(2) shall consult with and advise the commissioner of administration, the board, and the Minnesota Historical Society regarding their applicable statutory responsibilities for and in the Capitol building;

~~(3) may assist in the selection of an architectural firm to assist in the preparation of the predesign plan for the restoration of the Capitol building;~~

(4) ~~(3)~~ shall develop a comprehensive, multiyear, ~~predesign~~ maintenance and preservation plan for the ~~restoration of the~~ Capitol building, review the plan periodically, and, as appropriate, amend and modify the plan. The ~~predesign~~ plan shall ~~identify appropriate and required functions of the Capitol building; identify and address space requirements for legislative, executive, and judicial branch functions; and identify and address the long-term maintenance and preservation requirements of the Capitol building.~~ In developing the predesign plan, the commission shall take into account the comprehensive plan for the Minnesota State Capitol Area, as amended in 2010, the rules governing zoning and design for the Capitol Area, citizen access, information technology needs, energy efficiency, security, educational programs including public and school tours, and any additional space needs for the efficient operation of state government and shall take into account the recommendations of the long-range strategic plan under section 16B.24;

~~(5)~~ (4) shall develop and implement a plan to ~~reopen the~~ ensure a welcoming and accessible Minnesota State Capitol ~~and reintroduce it to the citizens of Minnesota~~ for all Minnesotans and visitors;

~~(6)~~ (5) shall develop and implement a comprehensive financial plan to fund the ongoing preservation ~~and restoration~~ of the Capitol building;

~~(7)~~ (6) shall provide annual reports about the condition of the Capitol building and its needs, as well as all activities related to the ~~restoration~~ preservation of the Capitol building; ~~and~~

~~(8)~~ (7) may solicit gifts, grants, or donations of any kind from any private or public source to carry out the purposes of this section. For purposes of this section, the commissioner of administration may expend money appropriated by the legislature for these purposes in the same manner as private persons, firms, corporations, and associations make expenditures for these purposes. All gifts, grants, or donations received by the commission shall be deposited in a State Capitol preservation account established in the special revenue fund. Money in the account is appropriated to the commissioner of administration for the activities of clause (5), the commission, and implementation of the predesign plan under this section. ~~The gift acceptance procedures under sections 16A.013 to 16A.016 do not apply to this clause.~~ Appropriations under this clause do not cancel and are available until expended; and

(8) shall approve a program of art exhibits to encourage public visits to the Capitol and to be displayed in a space in the Capitol building that is listed in section 15B.36, subdivision 1, before an exhibit that is part of the program can be displayed for two weeks or longer. When considering recommendations made under section 15B.36, the commission must approve or reject recommended exhibits as a whole and may not approve or reject individual pieces within a recommended exhibit. The approved program must address the proposed schedule, how it addresses adopted themes for art in the Capitol, and the type or types of artwork.

(b) By January 15 of each year, the commission shall report to the chairs and ranking minority members of the legislative committees with jurisdiction over ~~the commission~~ state government operations, capital investment, finance, ways and means, and legacy finance regarding the ~~activities and efforts of the commission in the preceding calendar year~~ maintenance and preservation needs of the Capitol building, including recommendations adopted by the commission, the comprehensive financial plan required under paragraph (a), clause (6), and any proposed draft legislation necessary to implement the recommendations of the commission.

Sec. 2. **[15B.36] CAPITOL ART EXHIBIT ADVISORY COMMITTEE.**

Subdivision 1. **Application.** This section applies to art exhibits in the following spaces within the State Capitol: third floor east wing, the egress lobbies added as part of the Capitol restoration completed in 2017, the tunnels connecting legislative office buildings to the Capitol, room 104A of the Capitol, and the entire Capitol basement, excluding the historic Rathskeller, Governor's Dining Room, and Justices' Dining Room. Historic paintings located in Room 317A remain subject to section 138.68. The speaker of the house, president of the senate, and chief justice of the Minnesota Supreme Court may request the advisory committee to provide recommendations on art in their respective hearing rooms and other tenant spaces.

Subd. 2. **Creation, duties.** (a) The Capitol Art Exhibit Advisory Committee is established to advise and make recommendations to the State Capitol Preservation Commission regarding art exhibits to be displayed in State Capitol spaces listed in subdivision 1. To develop these recommendations, the committee shall:

(1) receive proposals from a broad diversity of Minnesota artists, art organizations, and other individuals and evaluate the extent to which proposals meet the criteria in paragraph (b); and

(2) prepare a list of recommended art exhibits for consideration by the commission, including information on the availability of the exhibits, a summary of how the recommended exhibits meet the criteria in paragraph (b) and reflect Minnesota history not covered by previous art exhibits, and the estimated costs and logistical needs for recommended exhibits.

(b) Art exhibits displayed in the State Capitol should tell Minnesota stories and engage people to:

(1) reflect on Minnesota history;

(2) understand Minnesota government;

(3) recognize the contributions of Minnesota's diverse peoples;

(4) inspire citizen engagement; and

(5) appreciate the varied landscapes of Minnesota.

(c) The commissioner of administration shall provide administrative support for the art exhibits approved by the commission under section 15B.32, subdivision 6, paragraph (a), clause (8).

(d) A preference shall be given for recommended art exhibits for artists currently living in Minnesota or living in Minnesota at the time portrayed. The selection process should ensure that a wide range of artists have a chance to be considered and that, over time, the art reflects the contributions of artists of various demographic backgrounds, including age, disability, gender, and racial and ethnic identity.

Subd. 3. **Membership.** (a) The advisory committee consists of members of the public appointed as follows:

(1) five appointed by the governor;

(2) two appointed by the majority leader of the senate and two appointed by the minority leader of the senate; and

(3) two appointed by the speaker of the house and two appointed by the minority leader of the house of representatives.

(b) To the extent practicable, the appointing authorities shall appoint individuals with knowledge or experience in art, Minnesota history, or Native American history, so that the advisory committee reflects the demographic and geographic diversity of the state. The public members appointed by the governor must be appointed using the public appointments process under section 15.0597.

(c) The State Arts Board, the Minnesota Historical Society, the Capitol Area Architectural and Planning Board, and the commissioner of administration shall each appoint one individual to serve ex-officio on the advisory committee as a nonvoting member.

(d) The advisory committee may meet as frequently as needed to complete its work and shall annually, or when requested by the commissioner, provide the commission with a list of recommended exhibits of works of art by Minnesota artists for possible display in the State Capitol.

Subd. 4. **Terms; removal; vacancies; compensation.** Except as otherwise provided in this section, terms, removal, vacancies, and compensation are as provided in section 15.059. Terms of advisory committee members begin the first Tuesday after the first Monday in January and are for four years.

Subd. 5. **Chair.** The committee shall elect a chair from among its members. The committee may elect other officers as it deems necessary.

Subd. 6. **Open meetings.** Committee meetings are subject to chapter 13D.

Subd. 7. **Conflict of interest.** A member of the committee may not participate in the discussion of or vote on a decision of the committee relating to an organization in which the member has either a direct or indirect financial interest.

Subd. 8. **Gifts; grants; donations.** The committee may accept gifts and grants, which are accepted on behalf of the state and constitute donations to the state. Funds received under this paragraph are appropriated to the commissioner of administration for purposes of the committee.

Sec. 3. Minnesota Statutes 2016, section 16A.642, subdivision 1, is amended to read:

Subdivision 1. **Reports.** (a) The commissioner of management and budget shall report to the chairs of the senate Committee on Finance and the house of representatives Committees on Ways and Means and Capital Investment by January 1 of each ~~odd-numbered~~ year on the following:

(1) all laws authorizing the issuance of state bonds, bonds supported by a state appropriation, or appropriating general fund money for state or local government capital investment projects enacted more than four years before January 1 of that ~~odd-numbered~~ year; the projects authorized to be acquired and constructed for which less than 100 percent of the authorized total cost has been expended, encumbered, or otherwise obligated; the cost of contracts to be let in accordance with existing plans and specifications shall be considered expended for this report; and the amount of general fund money appropriated but not spent or otherwise obligated, and the amount of bonds not issued and bond proceeds held but not previously expended, encumbered, or otherwise obligated for these projects; and

(2) all laws authorizing the issuance of state bonds, bonds supported by a state appropriation, or appropriating general fund money for state or local government capital programs or projects other than those described in clause (1), enacted more than four years before January 1 of that ~~odd-numbered~~ year; and the amount of general fund money appropriated but not spent or otherwise obligated, and the amount of bonds not issued and bond proceeds held but not previously expended, encumbered, or otherwise obligated for these programs and projects.

(b) The commissioner shall also report on general fund appropriations for capital projects, bond authorizations or bond proceed balances that may be canceled because projects have been canceled, completed, or otherwise concluded, or because the purposes for which the money was appropriated or bonds were authorized or issued have been canceled, completed, or otherwise concluded. The general fund appropriations, bond authorizations or bond proceed balances that are unencumbered or otherwise not obligated that are reported by the commissioner under this subdivision are canceled, effective July 1 of the year of the report, unless specifically reauthorized by act of the legislature.

(c) The reports required by this subdivision shall only contain bond authorizations supported by a state appropriation and their associated general fund appropriations for projects authorized or amended after December 31, 2013.

Sec. 4. Minnesota Statutes 2016, section 16A.86, subdivision 4, is amended to read:

Subd. 4. **Funding.** (a) The state share of a project covered by this section must be no more than half the total cost of the project, including predesign, design, construction, furnishings, and equipment, except as provided in paragraph (b) or (c). This subdivision does not apply to a project proposed by a school district or other school organization.

(b) The state share may be more than half the total cost of a project if the project is deemed needed as a result of a disaster or to prevent a disaster or is located in a political subdivision with a very low average net tax capacity.

(c) Nothing in this section prevents the governor from recommending, or the legislature from considering or funding, projects that do not meet the deadline in subdivision 2 or ~~the criteria in this subdivision or subdivision 3~~ a state share that is greater than half the total cost of the project when the governor or the legislature determines that there is a compelling reason for the recommendation or funding.

Sec. 5. Minnesota Statutes 2016, section 16B.335, subdivision 1, is amended to read:

Subdivision 1. **Construction and major remodeling.** (a) The commissioner, or any other recipient to whom an appropriation is made to acquire or better public lands or buildings or other public improvements of a capital nature, must not prepare final plans and specifications for any construction, major remodeling, or land acquisition in anticipation of which the appropriation was made until the agency that will use the project has presented the program plan and cost estimates for all elements necessary to complete the project to the chair of the senate Finance Committee and the chair of the house of representatives Ways and Means Committee and the chairs have made their recommendations, and the chair and ranking minority member of the senate Capital Investment Committee and the chair and ranking minority member of the house of representatives Capital Investment Committee are notified. "Construction or major remodeling" means construction of a new building, a substantial addition to an existing building, or a substantial change to the interior configuration of an existing building. The presentation must note any significant changes in the work that will be done, or in its cost, since the appropriation for the project was enacted or from the predesign submittal. The program plans and estimates must be presented for review at least two weeks before a recommendation is needed. The recommendations are advisory only. Failure or refusal to make a recommendation is considered a negative recommendation. The chairs and ranking minority members of the senate Finance and Capital Investment Committees and the house of representatives Capital Investment and Ways and Means Committees must also be notified whenever there is a substantial change in a construction or major remodeling project, or in its cost.

(b) Capital projects exempt from the requirements of this subdivision include demolition or decommissioning of state assets, hazardous material projects, utility infrastructure projects, environmental testing, parking lots, parking structures, park and ride facilities, bus rapid transit stations, light rail lines, passenger rail projects, freight rail projects, exterior lighting, fencing, highway rest areas, truck stations, storage facilities not consisting primarily of

offices or heated work areas, roads, bridges, trails, pathways, campgrounds, athletic fields, dams, floodwater retention systems, water access sites, harbors, sewer separation projects, water and wastewater facilities, port development projects for which the commissioner of transportation has entered into an assistance agreement under section 457A.04, ice centers, a local government project with a construction cost of less than \$1,500,000, or any other capital project with a construction cost of less than \$750,000.

Sec. 6. Minnesota Statutes 2016, section 16B.35, is amended by adding a subdivision to read:

Subd. 1c. **PFA excluded.** Notwithstanding subdivision 1, an appropriation to the Public Facilities Authority, and project financing provided by the authority from the appropriation, may not include an amount to acquire works of art.

Sec. 7. Minnesota Statutes 2016, section 115.03, is amended by adding a subdivision to read:

Subd. 5d. **Required disclosures to national pollution discharge elimination system permit applicants.** The commissioner must provide an applicant for a national pollution discharge elimination system permit with a written summary of all available methods for the applicant to participate in the permit process, including an explanation of all procedures for challenging and appealing a decision of the agency or a permit requirement included in any draft of final permit.

Sec. 8. **[115.456] COMPLIANCE SCHEDULES.**

The commissioner of the Pollution Control Agency must consider current debt service on existing municipal wastewater treatment infrastructure when developing compliance schedules for new effluent limits in municipal national pollutant discharge elimination system (NPDES) permits. Any compliance schedule for new effluent limits in municipal NPDES permits must be developed in a manner consistent with state and federal law to maximize the repayment of existing debt on wastewater infrastructure before requiring additional capital infrastructure upgrades. To the extent allowable under federal law, the commissioner may issue compliance schedules in municipal NPDES permits for new effluent limit requirements in excess of 20 years.

Sec. 9. Minnesota Statutes 2016, section 116.072, is amended by adding a subdivision to read:

Subd. 14. **Treatment works penalty orders.** To the extent allowable under federal law, the agency shall not issue an administrative penalty order to the operator of a publicly owned treatment works for violating any effluent limitation unless both of the following conditions have been satisfied:

(1) 45 days have elapsed since the agency has issued the operator of the treatment works with a notice of violation or an alleged violation letter that describes the violation; and

(2) the agency provides the operator with a copy of the written summary developed under section 115.03, subdivision 5d, after or at the same time as the notice of violation or alleged violation letter is issued.

Sec. 10. Minnesota Statutes 2017 Supplement, section 222.49, is amended to read:

222.49 RAIL SERVICE IMPROVEMENT ACCOUNT ~~ACCOUNTS~~; APPROPRIATION.

~~The~~ (a) A rail service improvement account is created in the special revenue fund in the state treasury. The account consists of funds as provided by law, and any other money donated, allotted, transferred, or otherwise provided to the account, excluding bond proceeds as authorized by article XI, section 5, clause (i), of the Minnesota Constitution. All money so deposited is appropriated to the department for expenditure for rail service improvement in accordance with applicable state and federal law. This appropriation shall not lapse but shall be available until the purpose for which it was appropriated has been accomplished.

(b) A rail service improvement account is created in the bond proceeds fund. The account consists of state bond proceeds appropriated to the commissioner. Money in the account may only be expended for the purposes specified in section 222.50 that are permitted under the Minnesota Constitution, article XI, section 5, clause (a) or (i).

Sec. 11. **[245G.011] BEHAVIORAL HEALTH CRISIS FACILITIES GRANTS.**

Subdivision 1. **Commissioner.** "Commissioner" means the commissioner of human services.

Subd. 2. **Eligible applicant.** "Eligible applicant" or "applicant" means a statutory or home rule charter city, county, housing and redevelopment authority, publicly owned hospital, or other public entity otherwise eligible to receive state general obligation bond proceeds that is designated to apply for a behavioral health crisis program facilities grant by the local mental health authority, established under Minnesota Statutes, section 245.466, or on behalf of a regional consortium of organizations that serve individuals with mental illness or a substance use disorder.

Subd. 3. **Eligible project.** "Eligible project" or "project" means the acquisition or betterment of public land, buildings, and other public improvements of a capital nature within the meaning of the Minnesota Constitution, article XI, section 5, clause (a). It includes acquisition of land or interest in land, predesign, design, renovation, construction, furnishing, and equipping facilities in which to provide behavioral health crisis programs and services.

Subd. 4. **Project criteria.** For purposes of this section, "behavioral health crisis facilities" or "facility" means a facility whose purpose is to provide mental health or substance use disorder services. Proceeds may be up to 100 percent of project costs, up to \$5,000,000 per project. Priority must be given to proposals that:

- (1) demonstrate a need for the program in the region;
- (2) provide a detailed service plan, including the services that will be provided and to whom, and staffing requirements;
- (3) provide an estimated cost of operating the program;
- (4) verify financial sustainability by detailing sufficient funding sources and the capacity to obtain third-party payments for services provided, including private insurance and federal Medicaid and Medicare financial participation;
- (5) demonstrate an ability and willingness to build on existing resources in the community; and
- (6) agree to a comprehensive evaluation of services and financial viability by the commissioner.

Subd. 5. **Report.** The commissioner shall report to the legislative committees with jurisdiction over mental health issues and capital investment. The report is due by February 15 of each odd-numbered year and must include information on the projects funded and the programs and services provided in those facilities.

Sec. 12. Minnesota Statutes 2017 Supplement, section 326B.124, is amended to read:

326B.124 EXEMPTIONS.

(a) The commissioner may exempt a part of a historic building occupied by the state from the state or another building, fire, safety, or other code if the exemption is necessary to preserve the historic or esthetic character of the building or to prevent theft, vandalism, terrorism, or another crime. When the commissioner grants an exemption, the commissioner shall consider providing equivalent protection. A certificate of occupancy may not be denied because of an exemption under this section.

(b) The house of representatives and senate chambers located in the State Capitol are exempt from any State Building Code and State Fire Code requirements pertaining to: (1) door locks; (2) exit sign placement at exit access doors; and ~~(2) (3)~~ (3) occupancy limit signs. The house of representatives and senate may install door locks within their chambers in the State Capitol that meet their needs. The house of representatives and senate may install exit and occupancy limit signs within the house of representatives and senate chambers located in the State Capitol that are minimal in size and historic in appearance as appropriate for each chamber. Any door lock or sign installed by the house of representatives or the senate under the authority provided in this paragraph is not subject to the approval of the commissioner.

Sec. 13. **[446A.076] ESTIMATED FUNDING NEEDS.**

By February 1 each year, the Public Facilities Authority must submit to the legislative committees with jurisdiction over capital investment and environment and natural resources finance an estimate of the amount necessary to fund grants under sections 446A.072 and 446A.073.

Sec. 14. Minnesota Statutes 2017 Supplement, section 462A.2035, subdivision 1, is amended to read:

Subdivision 1. **Establishment.** The agency shall establish a manufactured home park redevelopment program for the purpose of making manufactured home park redevelopment grants or loans ~~to cities, counties, community action programs, nonprofit organizations, and cooperatives created under chapter 308A or 308B~~ for the purposes specified in this section.

Sec. 15. Minnesota Statutes 2017 Supplement, section 462A.2035, subdivision 1b, is amended to read:

Subd. 1b. **Manufactured home park infrastructure grants.** Eligible recipients may use manufactured home park infrastructure grants under this program for:

- (1) improvements in manufactured home parks; and
- (2) infrastructure, including storm shelters and community facilities.

EFFECTIVE DATE. This section is effective the day following final enactment for bonds authorized in 2018 and thereafter.

Sec. 16. Minnesota Statutes 2016, section 462A.37, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Abandoned property" has the meaning given in section 117.025, subdivision 5.

(c) "Community land trust" means an entity that meets the requirements of section 462A.31, subdivisions 1 and 2.

(d) "Debt service" means the amount payable in any fiscal year of principal, premium, if any, and interest on housing infrastructure bonds and the fees, charges, and expenses related to the bonds.

(e) "Foreclosed property" means residential property where foreclosure proceedings have been initiated or have been completed and title transferred or where title is transferred in lieu of foreclosure.

(f) "Housing infrastructure bonds" means bonds issued by the agency under this chapter that are qualified 501(c)(3) bonds, within the meaning of Section 145(a) of the Internal Revenue Code, finance qualified residential rental projects within the meaning of Section 142(d) of the Internal Revenue Code, or are tax-exempt bonds that are not private activity bonds, within the meaning of Section 141(a) of the Internal Revenue Code, for the purpose of financing or refinancing affordable housing authorized under this chapter.

(g) "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended.

(h) "Senior" means a person 55 years of age or older with an annual income not greater than 50 percent of:

(1) the metropolitan area median income for persons in the metropolitan area; or

(2) the statewide median income for persons outside the metropolitan area.

(i) "Senior housing" means housing intended and operated for occupancy by at least one senior per unit with at least 80 percent of the units occupied by at least one senior per unit, and for which there is publication of, and adherence to, policies and procedures that demonstrate an intent by the owner or manager to provide housing for seniors. Senior housing may be developed in conjunction with and as a distinct portion of mixed-income senior housing developments that use a variety of public or private financing sources.

~~(h)~~ (j) "Supportive housing" means housing that is not time-limited and provides or coordinates with linkages to services necessary for residents to maintain housing stability and maximize opportunities for education and employment.

EFFECTIVE DATE. This section is effective the day following final enactment for bonds authorized in 2018 and thereafter.

Sec. 17. Minnesota Statutes 2016, section 462A.37, subdivision 2, is amended to read:

Subd. 2. **Authorization.** (a) The agency may issue up to \$30,000,000 in aggregate principal amount of housing infrastructure bonds in one or more series to which the payment made under this section may be pledged. The housing infrastructure bonds authorized in this subdivision may be issued to fund loans, or grants for the purposes of clause (4), on terms and conditions the agency deems appropriate, made for one or more of the following purposes:

(1) to finance the costs of the construction, acquisition, and rehabilitation of supportive housing for individuals and families who are without a permanent residence;

(2) to finance the costs of the acquisition and rehabilitation of foreclosed or abandoned housing to be used for affordable rental housing and the costs of new construction of rental housing on abandoned or foreclosed property where the existing structures will be demolished or removed;

(3) to finance that portion of the costs of acquisition of property that is attributable to the land to be leased by community land trusts to low- and moderate-income homebuyers; ~~and~~

(4) to finance that portion of the improvement and infrastructure of manufactured home parks under section 462A.2035, subdivision 1b, that is attributable to land to be leased to low- and moderate-income manufactured home owners;

(5) to finance the costs of acquisition, rehabilitation, adaptive reuse, or new construction of senior housing; and

(6) to finance the costs of acquisition and rehabilitation of federally assisted rental housing and for the refinancing of costs of the construction, acquisition, and rehabilitation of federally assisted rental housing, including providing funds to refund, in whole or in part, outstanding bonds previously issued by the agency or another government unit to finance or refinance such costs.

(b) Among comparable proposals for permanent supportive housing, preference shall be given to permanent supportive housing for veterans and other individuals or families who:

(1) either have been without a permanent residence for at least 12 months or at least four times in the last three years; or

(2) are at significant risk of lacking a permanent residence for 12 months or at least four times in the last three years.

(c) Among comparable proposals for senior housing, the agency must give priority to requests for projects that:

(1) demonstrate a commitment to maintaining the housing financed as affordable to seniors;

(2) leverage other sources of funding to finance the project, including the use of low-income housing tax credits;

(3) provide access to services to residents and demonstrate the ability to increase physical supports and support services as residents age and experience increasing levels of disability;

(4) provide a service plan containing the elements of clause (3) reviewed by the housing authority, economic development authority, public housing authority, or community development agency that has an area of operation for the jurisdiction in which the project is located; and

(5) include households with incomes that do not exceed 30 percent of the median household income for the metropolitan area.

To the extent practicable, the agency shall balance the loans made between projects in the metropolitan area and projects outside the metropolitan area. Of the loans made to projects outside the metropolitan area, the agency shall, to the extent practicable, balance the loans made between projects in counties or cities with a population of 20,000 or less, as established by the most recent decennial census, and projects in counties or cities with populations in excess of 20,000.

EFFECTIVE DATE. This section is effective the day following final enactment for bonds authorized in 2018 and thereafter.

Sec. 18. Minnesota Statutes 2016, section 462A.37, is amended by adding a subdivision to read:

Subd. 2d. **Additional authorization.** In addition to the amount authorized in subdivisions 2, 2a, 2b, and 2c, the agency may issue up to \$30,000,000 in housing infrastructure bonds in one or more series to which the payments under this section may be pledged. Housing funded with proceeds from bonds sold under this authorization must be permanent supportive housing for people with behavioral health needs.

Sec. 19. Minnesota Statutes 2016, section 462A.37, is amended by adding a subdivision to read:

Subd. 2e. **Additional authorization.** In addition to the amount authorized in subdivisions 2, 2a, 2b, 2c, and 2d, the agency may issue up to \$50,000,000 in housing infrastructure bonds in one or more series to which the payments under this section may be pledged.

Sec. 20. Minnesota Statutes 2017 Supplement, section 462A.37, subdivision 5, is amended to read:

Subd. 5. **Additional appropriation.** (a) The agency must certify annually to the commissioner of management and budget the actual amount of annual debt service on each series of bonds issued under subdivisions 2a, 2b, ~~and~~ 2c, 2d, and 2e.

(b) Each July 15, beginning in 2015 and through 2037, if any housing infrastructure bonds issued under subdivision 2a remain outstanding, the commissioner of management and budget must transfer to the housing infrastructure bond account established under section 462A.21, subdivision 33, the amount certified under paragraph (a), not to exceed \$6,400,000 annually. The amounts necessary to make the transfers are appropriated from the general fund to the commissioner of management and budget.

(c) Each July 15, beginning in 2017 and through 2038, if any housing infrastructure bonds issued under subdivision 2b remain outstanding, the commissioner of management and budget must transfer to the housing infrastructure bond account established under section 462A.21, subdivision 33, the amount certified under paragraph (a), not to exceed \$800,000 annually. The amounts necessary to make the transfers are appropriated from the general fund to the commissioner of management and budget.

(d) Each July 15, beginning in ~~2018~~ 2019 and through ~~2039~~ 2040, if any housing infrastructure bonds issued under subdivision 2c remain outstanding, the commissioner of management and budget must transfer to the housing infrastructure bond account established under section 462A.21, subdivision 33, the amount certified under paragraph (a), not to exceed \$2,800,000 annually. The amounts necessary to make the transfers are appropriated from the general fund to the commissioner of management and budget.

(e) Each July 15, beginning in 2020 and through 2041, if any housing infrastructure bonds issued under subdivision 2d remain outstanding, the commissioner of management and budget must transfer to the housing infrastructure bond account established under section 462A.21, subdivision 33, the amount certified under paragraph (a). The amounts necessary to make the transfers are appropriated from the general fund to the commissioner of management and budget.

(f) Each July 15, beginning in 2020 and through 2041, if any housing infrastructure bonds issued under subdivision 2e remain outstanding, the commissioner of management and budget must transfer to the housing infrastructure bond account established under section 462A.21, subdivision 33, the amount certified under paragraph (a). The amounts necessary to make the transfers are appropriated from the general fund to the commissioner of management and budget.

(g) The agency may pledge to the payment of the housing infrastructure bonds the payments to be made by the state under this section.

Sec. 21. Minnesota Statutes 2016, section 462A.37, is amended by adding a subdivision to read:

Subd. 6. **Cancellation.** Any amount appropriated in this section for debt service payments that is not needed in that fiscal year for debt service payments is canceled to the general fund. The cancellation must occur no later than June 30 of the same fiscal year.

Sec. 22. Minnesota Statutes 2017 Supplement, section 473.857, subdivision 2, is amended to read:

Subd. 2. **Within 60 days; report.** A hearing shall be conducted within 60 days after the request, provided that the advisory committee or the administrative law judge shall consolidate hearings on related requests. The 60-day period within which the hearing shall be conducted may be extended or suspended by mutual agreement of the council and the local governmental unit. The hearing ~~shall not~~ may consider the need for or reasonableness of the metropolitan system plans or parts thereof. The hearing shall afford all interested persons an opportunity to testify and present evidence. The advisory committee or administrative law judge may employ the appropriate technical and professional services of the office of dispute resolution for the purpose of evaluating disputes of fact. The proceedings shall not be deemed a contested case. Within 30 days after the hearing, the advisory committee or the

administrative law judge shall report to the council respecting the proposed amendments to the system statements. The report shall contain findings of fact, conclusions, and recommendations and shall apportion the costs of the proceedings among the parties.

EFFECTIVE DATE; APPLICATION. This section is effective the day following final enactment for system statements prepared by the Metropolitan Council on or after that date. This section applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 23. Laws 2009, chapter 93, article 1, section 14, subdivision 3, as amended by Laws 2011, First Special Session chapter 12, section 37, is amended to read:

Subd. 3. **Veterans Cemeteries**

1,500,000

Of this amount, up to \$500,000 is to acquire land located in southeastern, southwestern, and northeastern Minnesota for publicly owned veterans cemeteries, to be operated by the commissioner of veterans affairs. The commissioner also must seek donations of land for the cemeteries. The balance of the appropriation is to predesign and design the cemeteries. Federal reimbursement of design costs for each cemetery must be deposited in the state treasury ~~and credited to a special account~~ and is appropriated to the commissioner of veterans affairs to design the remaining cemeteries. Following completion of ~~all design of~~ the legislatively authorized Minnesota state veterans cemeteries in Redwood, St. Louis, and Fillmore Counties, final federal reimbursement of predesign and design costs is appropriated to the commissioner for asset preservation of veterans homes statewide, to be spent in accordance with Minnesota Statutes, section 16B.307. Federal reimbursement may be sought for each cemetery and must be spent to acquire land for, to predesign and design additional cemeteries, or for asset preservation as provided in this subdivision. Notwithstanding Minnesota Statutes, section 16A.642, the bond sale authorization and appropriation of bond proceeds for this project are available until December 31, 2022.

Sec. 24. Laws 2014, chapter 294, article 1, section 5, subdivision 3, is amended to read:

Subd. 3. **New Residence Hall**

10,654,000

To complete the design of and perform asbestos and hazardous materials abatement and demolition of Frechette Hall and to design, construct, furnish, and equip a new ~~boys'~~ dormitory on the Minnesota State Academy for the Deaf campus. The unspent portion of this appropriation after the project has been substantially completed, upon written notice to the commissioner of management and budget, is available for asset preservation under Minnesota Statutes, section 16B.307. Minnesota Statutes, section 16A.642, applies from the date of the original appropriation to the unspent amount transferred.

Sec. 25. Laws 2014, chapter 294, article 1, section 7, subdivision 15, as amended by Laws 2017, First Special Session chapter 8, article 2, section 27, is amended to read:

Subd. 15. Grant County Trail Grant

100,000

For a grant to Grant County for predesign, ~~acquisition, or improvements and design~~ for a trail from the city of Elbow Lake to Pomme de Terre Lake. The commissioner of natural resources may allocate any amount not needed to complete this project to state trail acquisition and improvements under Minnesota Statutes, section 85.015. This appropriation is available when the commissioner of management and budget determines that sufficient resources have been committed to complete the project, as required by Minnesota Statutes, section 16A.502. Notwithstanding Minnesota Statutes, section 16A.642, the bond sale authorization and appropriation of bond proceeds for this project are available until June 30, 2021.

Sec. 26. Laws 2014, chapter 294, article 1, section 21, subdivision 12, as amended by Laws 2015, First Special Session chapter 5, article 3, section 19, and Laws 2017, First Special Session chapter 8, article 2, section 30, is amended to read:

Subd. 12. Minneapolis - Brian Coyle Community Center

330,000

(a) For a grant to the Minneapolis Park and Recreation Board to predesign and design the renovation and expansion of the Brian Coyle Community Center, subject to Minnesota Statutes, section 16A.695. This appropriation does not require a local match.

(b) The Minneapolis Park and Recreation Board, the Pillsbury United Communities, Hennepin County, institutions of higher education, and neighborhood organizations shall develop an agreement for the use of the existing Brian Coyle Community Center. The lease between the Minneapolis Park and Recreation Board and Pillsbury United Communities shall be reformed prior to the expenditure of any funds for predesign and design.

(c) The appropriation under this subdivision may also be used toward the renovation and expansion of the Brian Coyle Community Center.

(d) Notwithstanding any limitation in paragraphs (a) to (c), the appropriation under this subdivision may be used by the Minneapolis Park and Recreation Board for capital costs of any recreation project or facility in the Cedar Riverside neighborhood.

(e) Notwithstanding Minnesota Statutes, section 16A.642, the bond sale authorization and appropriation of bond proceeds for the project in this subdivision are available until December 31, 2020.

Sec. 27. Laws 2014, chapter 294, article 1, section 22, subdivision 5, is amended to read:

Subd. 5. **City of Rice Lake Township - Water Main Replacement**

1,168,000

For a grant to the city of Rice Lake Township in St. Louis County to design and construct a replacement water main and related public infrastructure on East Calvary Road and Kolstad, Austin, Milwaukee, Mather, and Chicago Avenues in the city of Rice Lake Township. This appropriation is not available until the commissioner of management and budget determines that at least an equal amount is committed to the project from nonstate sources. This appropriation is available until December 31, 2020.

Sec. 28. Laws 2014, chapter 295, section 9, is amended to read:

Sec. 9. **CORRECTIONS**

\$18,000,000

To the commissioner of administration to design, construct, furnish, and equip phase one of a new health services unit, a new service corridor and security station leading to the unit, and a mechanical building to serve the new health unit and associated utility infrastructure systems and site work; and to design phase two consisting of new intake, warehouse, and loading dock buildings associated utility infrastructure systems and sitework and all associated repurposing, including asbestos and hazardous materials abatement of interior spaces that were formally used for the occupancies being moved to the new phase one and two buildings at the Minnesota Correctional Facility in St. Cloud. Any unspent portion of this appropriation not needed to complete this work, upon written notice to the commissioner of management and budget, may be used for the purposes described in Laws 2017, First Special Session chapter 8, article 1, section 19, subdivision 3, as amended in section 38, and notwithstanding Minnesota Statutes, section 16A.642, is available until December 31, 2020.

Sec. 29. Laws 2015, First Special Session chapter 5, article 1, section 10, subdivision 3, as amended by Laws 2017, First Special Session chapter 8, article 2, section 31, is amended to read:

Subd. 3. **Local Road Improvement Fund Grants**

8,910,000

(a) From the bond proceeds account in the state transportation fund as provided in Minnesota Statutes, section 174.50, for construction and reconstruction of local roads with statewide or regional significance under Minnesota Statutes, section 174.52, subdivision 4, or for grants to counties to assist in paying the costs of rural road safety capital improvement projects on county state-aid highways under Minnesota Statutes, section 174.52, subdivision 4a.

(b) This appropriation includes \$850,000 for a grant to the city of Sandstone for predesign, design, engineering, and construction of a road extending south off of marked Trunk Highway 23 across from Lundorff Drive to the airport area, and including a bridge over Skunk Creek in Sandstone, in order to facilitate repurposing of an area of the airport into a business park. This appropriation is not available until the commissioner of management and budget determines that sufficient resources to complete the project are committed to it from other sources, including any funds made available from the commissioner of transportation.

(c) This appropriation includes \$3,770,000 for a grant to Kandiyohi County for predesign, design, right-of-way acquisition, engineering, construction, and reconstruction of local roads in conjunction with the Willmar Wye project as well as to ~~re-establish~~ reestablish the local road network on the southwest side of Willmar.

Sec. 30. Laws 2017, First Special Session chapter 3, article 1, section 2, subdivision 2, is amended to read:

Subd. 2. Multimodal Systems

(a) Aeronautics

(1) Airport Development and Assistance	26,001,000	16,598,000
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This appropriation is from the state airports fund and must be spent according to Minnesota Statutes, section 360.305, subdivision 4.

Notwithstanding Minnesota Statutes, section 16A.28, subdivision 6, this appropriation is available for five years after the year of the appropriation. If the appropriation for either year is insufficient, the appropriation for the other year is available for it.

\$6,619,000 in the first year is for a grant to the Duluth Airport Authority for improvements at the Duluth International Airport and the Sky Harbor Airport in accordance with Minnesota Statutes, section 360.017. For the purposes of this appropriation, the commissioner may waive the requirements of Minnesota Statutes, section 360.305, subdivision 4, paragraph (b). This appropriation may be used to reimburse the Authority for costs incurred after March 1, 2015. This is a onetime appropriation.

\$2,334,000 in the first year is for a grant to the city of Rochester for improvements to the passenger terminal building at the Rochester International Airport in accordance with Minnesota Statutes, section 360.017. For the purposes of this appropriation, the commissioner of transportation may waive the requirements of Minnesota Statutes, section 360.305, subdivision 4, paragraph (b). This appropriation may be used to reimburse the city for costs incurred after May 1, 2016. This is a onetime appropriation.

Notwithstanding Minnesota Statutes, section 360.017, \$250,000 in the first year is for a grant to the city of St. Cloud for an air transport optimization planning study for the St. Cloud Regional Airport. The study must be comprehensive and market-based, using economic development and air service expertise to research, analyze, and develop models and strategies that maximize the return on investments made to enhance the use and impact of the St. Cloud Regional Airport. By January 5, 2018, the city of St. Cloud shall submit a report to the governor and the members and staff of the legislative committees with jurisdiction over capital investment, transportation, and economic development with recommendations based on the findings of the study. This is a onetime appropriation.

If the commissioner of transportation determines that a balance remains in the state airports fund following the appropriations made in this article and that the appropriations made are insufficient for advancing airport development and assistance projects, an amount necessary to advance the projects, not to exceed the balance in the state airports fund, is appropriated in each year to the commissioner and must be spent according to Minnesota Statutes, section 360.305, subdivision 4. Within two weeks of a determination under this contingent appropriation, the commissioner of transportation must notify the commissioner of management and budget and the chairs, ranking minority members, and staff of the legislative committees with jurisdiction over transportation finance concerning the funds appropriated. Funds appropriated under this contingent appropriation do not adjust the base for fiscal years 2020 and 2021.

The base is \$15,298,000 in each of fiscal years 2020 and 2021.

(2) Aviation Support and Services	6,710,000	6,854,000
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Appropriations by Fund

	2018	2019
Airports	5,231,000	5,231,000
Trunk Highway	1,479,000	1,623,000

(3) Civil Air Patrol	3,580,000	80,000
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This appropriation is from the state airports fund for the Civil Air Patrol.

\$3,500,000 in the first year is for a grant to: (i) perform site selection and analysis; (ii) purchase, renovate a portion of and, or construct an addition to the training and maintenance facility located at the South St. Paul airport, facilities; and to (iii) furnish and equip the facility facilities, including communications

equipment. If the Civil Air Patrol purchases an existing facility, predesign requirements are waived. The facilities must be located at an airport in Minnesota. Notwithstanding the matching requirements in Minnesota Statutes, section 360.305, subdivision 4, a nonstate contribution is not required for this appropriation. Notwithstanding Minnesota Statutes, section 16A.28, subdivision 6, this appropriation is available for ~~five~~ six years after the year of the appropriation. This is a onetime appropriation.

(b) Transit	1,416,000	18,268,000
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Appropriations by Fund

	2018	2019
General	570,000	17,395,000
Trunk Highway	846,000	873,000

\$150,000 in each year is from the general fund for grants to transportation management organizations that provide services exclusively or primarily in the city located along the marked Interstate Highway 494 corridor having the highest population as of the effective date of this section. The commissioner must not retain any portion of the funds appropriated under this section. From the appropriation in each fiscal year, the commissioner must make grant payments in full by July 31. Permissible uses of funds under this grant include administrative expenses and programming and service expansion, including but not limited to staffing, communications, outreach and education program development, and operations management. This is a onetime appropriation.

The base from the general fund is \$17,245,000 in each year for fiscal years 2020 and 2021.

(c) Safe Routes to School	500,000	500,000
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This appropriation is from the general fund for the safe routes to school program under Minnesota Statutes, section 174.40.

(d) Passenger Rail	500,000	500,000
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This appropriation is from the general fund for passenger rail system planning, alternatives analysis, environmental analysis, design, and preliminary engineering under Minnesota Statutes, sections 174.632 to 174.636.

(e) Freight

Freight and Commercial Vehicle Operations	8,506,000	6,578,000
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Appropriations by Fund

	2018	2019
General	3,156,000	1,056,000
Trunk Highway	5,350,000	5,522,000

\$1,100,000 in the first year is from the general fund for port development assistance grants under Minnesota Statutes, chapter 457A, to the city of Red Wing and to the Port Authority of Winona. Any improvements made with the proceeds of the grants must be publicly owned. This is a onetime appropriation and is available in the second year.

\$800,000 in each year is from the general fund for additional rail safety and rail service activities.

\$1,000,000 in the first year is from the general fund for a grant to the city of Grand Rapids to fund rail planning studies, design, and preliminary engineering relating to the construction of a freight rail line located in the counties of Itasca, St. Louis, and Lake to serve local producers and shippers. The city of Grand Rapids shall collaborate with the Itasca Economic Development Corporation and the Itasca County Regional Railroad Authority in the activities funded with the proceeds of this grant. This is a onetime appropriation and is available until June 30, 2019.

Sec. 31. Laws 2017, First Special Session chapter 3, article 1, section 2, subdivision 3, is amended to read:

Subd. 3. **State Roads**

(a) Operations and Maintenance	340,475,000	329,435,000
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The base is \$317,102,000 in fiscal year 2020 and \$310,889,000 in fiscal year 2021.

(b) Program Planning and Delivery

(1) Planning and Research	34,107,000	32,403,000
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If a balance remains of this appropriation, the commissioner may transfer up to that amount for program delivery under clause (2).

Up to \$600,000 in the first year is for the highway construction costs and cost inflation study under article 3, section 133. This is a onetime appropriation.

\$130,000 in each year is available for administrative costs of the targeted group business program.

\$266,000 in each year is available for grants to metropolitan planning organizations outside the seven-county metropolitan area.

\$900,000 in each year is available for grants for transportation studies outside the metropolitan area to identify critical concerns, problems, and issues. These grants are available:

- (1) to regional development commissions;
- (2) in regions where no regional development commission is functioning, to joint powers boards established under agreement of two or more political subdivisions in the region to exercise the planning functions of a regional development commission; and
- (3) in regions where no regional development commission or joint powers board is functioning, to the Department of Transportation district office for that region.

The base is \$31,375,000 in fiscal year 2020 and \$30,858,000 in fiscal year 2021.

(2) Program Delivery

229,148,000

222,845,000

This appropriation includes use of consultants to support development and management of projects.

Up to \$140,000 in the first year is for development, implementation, and reporting on project selection policy under article 3, section 124. This is a onetime appropriation.

\$1,000,000 in each year is available for management of contaminated and regulated material on property owned by the Department of Transportation, including mitigation of property conveyances, facility acquisition or expansion, chemical release at maintenance facilities, and spills on the trunk highway system where there is no known responsible party. If the appropriation for either year is insufficient, the appropriation for the other year is available for it.

The base is \$214,623,000 in fiscal year 2020 and \$210,481,000 in fiscal year 2021.

(c) State Road Construction

1,003,010,000

884,101,000

This appropriation is for the actual construction, reconstruction, and improvement of trunk highways, including design-build contracts, internal department costs associated with delivering the construction program, consultant usage to support these activities,

and the cost of actual payments to landowners for lands acquired for highway rights-of-way, payment to lessees, interest subsidies, and relocation expenses.

This appropriation includes federal highway aid.

The commissioner may expend up to one-half of one percent of the federal appropriations under this paragraph as grants to opportunity industrialization centers and other nonprofit job training centers for job training programs related to highway construction.

The commissioner may transfer up to \$15,000,000 each year to the transportation revolving loan fund.

The commissioner may receive money covering other shares of the cost of partnership projects. These receipts are appropriated to the commissioner for these projects.

The base is \$864,295,000 in fiscal year 2020 and \$849,282,000 in fiscal year 2021.

(d) Corridors of Commerce	25,000,000	25,000,000
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This appropriation is for the corridors of commerce program under Minnesota Statutes, section 161.088.

The commissioner may use up to 17 percent of the amount each year for program delivery.

(e) Highway Debt Service	224,079,000	242,325,000 <u>242,475,000</u>
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\$214,579,000 in fiscal year 2018 and ~~\$232,825,000~~ \$232,975,000 in fiscal year 2019 are for transfer to the state bond fund. If this appropriation is insufficient to make all transfers required in the year for which it is made, the commissioner of management and budget must transfer the deficiency amount under the statutory open appropriation and notify the chairs, ranking minority members, and staff of the legislative committees with jurisdiction over transportation finance and the chairs of the senate Finance Committee and the house of representatives Ways and Means Committee of the amount of the deficiency. Any excess appropriation cancels to the trunk highway fund.

(f) Statewide Radio Communications	5,648,000	5,829,000
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Appropriations by Fund

	2018	2019
General	3,000	3,000
Trunk Highway	5,645,000	5,826,000

\$3,000 in each year is from the general fund to equip and operate the Roosevelt signal tower for Lake of the Woods weather broadcasting.

Sec. 32. Laws 2017, First Special Session chapter 8, article 1, section 6, subdivision 6, is amended to read:

Subd. 6. State Trail, Recreation Area, and Park Acquisition and Development

~~18,698,000~~

18,048,000

(a) \$2,590,000 is for the Glacial Lakes Trail, to complete an approximately 6-1/4 mile trail connection between New London and Sibley State Park, and repair of the bicycle trail in Sibley State Park.

(b) \$3,300,000 is to design, develop, and complete the Heartland State Trail from Detroit Lakes to Frazee and, to the extent there is sufficient money, for work on the spur from Park Rapids to Itasca State Park.

(c) \$3,600,000 is for acquisition and development in the Cuyuna Country State Recreation Area, including the Cuyuna Mountain Bike System.

(d) \$1,600,000 is to construct, furnish, and equip a multiuse state trail connection between the city of Little Falls and the Soo Line Trails as part of the Camp Ripley/Veterans State Trail in Morrison County. The trail connection may include separated segments to accommodate recreational vehicles separately from nonmotorized vehicles and pedestrians.

(e) \$3,500,000 is for continued development of Lake Vermilion-Soudan Underground Mine State Park recreational facilities.

(f) \$328,000 is for design and acquisition of the Mill Towns State Trail from Faribault to Northfield.

(g) \$3,130,000 is for acquisition and development of the Gitchi-Gami State Trail, from Grand Marais to Cascade State Park, and through the town of Tofte.

(h) The commissioner may allocate money not needed to complete a project listed in this subdivision to another project listed in this subdivision that needs additional money to be completed. For any project listed in this subdivision that the commissioner determines is not ready to proceed, the commissioner may reallocate that project's money to another project described in this subdivision or other state trail, recreation area, or park infrastructure. The chairs of the house of representatives and senate committees with jurisdiction over environment and natural resources and legislators from the affected legislative districts must be notified of any changes.

Sec. 33. Laws 2017, First Special Session chapter 8, article 1, section 15, subdivision 3, is amended to read:

Subd. 3. Local Road Improvement Fund Grants

115,932,000

(a) From the bond proceeds account in the state transportation fund as provided in Minnesota Statutes, section 174.50, for trunk highway corridor projects under Minnesota Statutes, section 174.52, subdivision 2, for construction and reconstruction of local roads with statewide or regional significance under Minnesota Statutes, section 174.52, subdivision 4, or for grants to counties to assist in paying the costs of rural road safety capital improvement projects on county state-aid highways under Minnesota Statutes, section 174.52, subdivision 4a.

(b) Of this amount, \$9,000,000 is for a grant to Anoka County to ~~realign and make associated improvements to~~ design, acquire land for, engineer, and construct improvements to, including the realignment of County State-Aid Highway 23 (Lake Drive), County State-Aid Highway 54 (West Freeway Drive), and to Hornsby Street in the city of Columbus to support the overall interchange project.

(c) Of this amount, \$3,246,000 is for a grant to the city of Blaine to predesign, design, and reconstruct 105th Avenue in the vicinity of the National Sports Center in Blaine. The reconstruction will include changing the street from five lanes to four lanes with median, turn lanes, sidewalk, trail, landscaping, lighting, and consolidation of access driveways. This appropriation is not available until the commissioner of management and budget determines that at least \$3,000,000 is committed to the project from sources available to the city, including municipal state aid and county turnback funds.

(d) Of this amount, \$25,000,000 is for a grant to Hennepin County, the city of Minneapolis, or both, for design, right-of-way acquisition, engineering, and construction of public improvements related to the Interstate Highway 35W and Lake Street access project and related improvements within the Interstate Highway 35W corridor, notwithstanding any provision of Minnesota Statutes, section 174.52, or rule to the contrary. This appropriation is not available until the commissioner of management and budget determines that an amount sufficient to complete this portion of the Interstate Highway 35W and Lake Street access project has been committed to this portion of the project.

(e) Of this amount, \$10,500,000 is for a grant to Carver County for environmental analysis and to acquire right-of-way access, predesign, design, engineer, and construct an interchange at marked Trunk Highway 212 and Carver County Road 44 in the city of Chaska, including a new bridge and ramps, to support the development of approximately 400 acres of property in the city of Chaska's comprehensive plan.

(f) Of this amount, \$700,000 is for a grant to Redwood County for improvements to Nobles Avenue, including paving, as the main access road to a new State Veterans Cemetery to be located in Paxton Township.

(g) Of this amount, \$1,000,000 is for a grant to the town of Appleton in Swift County for upgrades to an existing township road to provide for a paved, ten-ton capacity township road extending between marked Trunk Highways 7 and 119.

(h) Of this amount, \$20,500,000 is for a grant to Ramsey County for preliminary and final design, right-of-way acquisition, engineering, contract administration, and construction of public improvements related to the construction of the interchange of marked Interstate Highway 694 and Rice Street, Ramsey County State-Aid Highway 49, in Ramsey County.

(i) Of this amount, \$11,300,000 is for a grant to Hennepin County for preliminary and final design, engineering, environmental analysis, right-of-way acquisition, construction, and reconstruction of local roads related to the (1) realignment at the intersections of marked U.S. Highway 12 with Hennepin County State-Aid Highway 92; (2) realignment and safety improvements at the intersection of marked U.S. Highway 12 with Hennepin County State-Aid Highway 90; and (3) safety median improvements from the interchange with Wayzata Boulevard in Wayzata to approximately one-half mile east of the interchange of marked U.S. Highway 12 with Hennepin County State-Aid Highway 6.

(j) Of this amount, \$1,000,000 is for a grant to the city of Inver Grove Heights for preliminary design, design, engineering, and reconstruction of Broderick Boulevard between 80th Street and Concord Boulevard abutting Trunk Highway 52 and Inver Hills Community College in Inver Grove Heights. The project includes replacement or renovation of public infrastructure, including water lines, sanitary sewers, storm water sewers, and other public utilities. This appropriation does not require a nonstate contribution.

(k) Of this amount, \$2,350,000 is for a grant to McLeod County to acquire land or interests in land and to design and construct a new urban street extension of County State-Aid Highway (CSAH) 15, including railroad crossing, storm water, and drainage improvements.

(l) Of this amount, \$6,000,000 is for a grant to the city of Baxter for 50 percent of total project cost for the acquisition of land or interests in land, environmental analysis and environmental cleanup, predesign, design, engineering, and construction of improvements to Cypress Drive, including expansion to a four-lane divided urban roadway, between Excelsior Road and College Road.

Sec. 34. Laws 2017, First Special Session chapter 8, article 1, section 15, subdivision 11, is amended to read:

Subd. 11. Grand Rapids - Pedestrian Bridge

750,000

For a grant to the city of Grand Rapids to design ~~the construction of and construct~~ a bridge over the Mississippi River for pedestrian and bicycle use to provide a safe alternative route to the existing marked Trunk Highway 169 vehicle bridge, and to serve as a connection to existing trail systems on each side of the river. This appropriation is not available until the commissioner determines that at least an equal amount has been committed to the project from nonstate sources.

Sec. 35. Laws 2017, First Special Session chapter 8, article 1, section 15, subdivision 13, is amended to read:

Subd. 13. Eden Prairie - Rail Grade Crossings

1,400,000

For a grant to the city of Eden Prairie to (1) design, construct, and equip new passive and active rail grade crossing ~~warning~~ safety devices, including associated road and pathway improvements, at existing and proposed highway-rail grade crossings; and pathway-rail grade crossings; or (2) replace existing highway-rail grade crossings. Upon request by the city of Eden Prairie, the commissioner of transportation must provide reasonable technical assistance regarding highway-rail grade crossing project development and the establishment of rail quiet zones.

Sec. 36. Laws 2017, First Special Session chapter 8, article 1, section 16, subdivision 7, is amended to read:

Subd. 7. White Bear Lake Multiuse Trails

255,000

To develop a multiuse pedestrian and bicycle path around White Bear Lake. Of this amount, ~~\$130,000~~ \$141,000 is for a grant to the city of White Bear Lake to construct, furnish, and equip a multiuse trail for pedestrians and bicycles on Old White Bear Avenue between Lion's Park and South Shore Boulevard/Hazel and for engineering for a multiuse trail for pedestrians and bicycles in proximity to Highway 96 from Pacific Avenue to the western border of the town of White Bear; \$11,000 is for a grant to the town of White Bear for engineering for a multiuse trail for pedestrians and bicycles in proximity to Highway 96 in the town of White Bear; \$38,000 is for grants to the cities of Mahtomedi and Dellwood for preliminary engineering of a multiuse trail for pedestrians and bicycles near White Bear Lake in the cities of Mahtomedi and Dellwood to be located within the right-of-way to marked Trunk Highway 244; \$15,000 is for a grant to the city of Mahtomedi for preliminary engineering for a multiuse trail for pedestrians and bicycles near White Bear Lake within the right-of-way to Birchwood Road in the city of Mahtomedi and Hall Avenue in the city of Birchwood; and \$50,000 is for a grant to Ramsey County for preliminary engineering of a multiuse trail for pedestrians and bicycles to South Shore Boulevard between White Bear Avenue and Trunk Highway 120.

Sec. 37. Laws 2017, First Special Session chapter 8, article 1, section 17, subdivision 9, is amended to read:

Subd. 9. Minneapolis - The Family Partnership

1,600,000

From the general fund to the commissioner of human services for a grant to the Family Partnership in Minneapolis to predesign and design a facility to provide mental health, early childhood education, and other services to support children and families. ~~This appropriation is not available until at least an equal amount of money is committed from nonstate sources. A nonstate contribution is not required. Any unspent portion of this appropriation remaining after predesign and design are completed, upon written notice to the commissioner of management and budget, is available for the purposes of article 1, section 18, subdivision 6.~~

Sec. 38. Laws 2017, First Special Session chapter 8, article 1, section 19, subdivision 3, is amended to read:

Subd. 3. Minnesota Correctional Facility - St. Cloud

19,000,000

~~To construct and equip a new intake unit and a loading dock with a secure connection to a new central warehouse at the St. Cloud correctional facility. To design and complete hazardous materials abatement, site improvements, and utility infrastructure work, to rent and set up temporary laundry facilities, and to renovate, construct, furnish, and equip the second phase of the two-phase project including building additions, infill of an interior courtyard, and renovation of existing areas to provide improved laundry, property, intake, vehicle sally port, storage, and loading dock areas and security at the St. Cloud correctional facility.~~

The unspent amount of this appropriation after the projects described in this subdivision are completed may, upon written notice to the commissioner of management and budget, be used for asset preservation under Minnesota Statutes, section 16B.307, at Minnesota Correctional Facility – St. Cloud.

Sec. 39. Laws 2017, First Special Session chapter 8, article 1, section 20, subdivision 9, is amended to read:

Subd. 9. Eagle's Healing Nest

500,000

From the general fund for a grant to Eagle's Healing Nest in Sauk Centre and Anoka.

Sec. 40. Laws 2017, First Special Session chapter 8, article 1, section 20, subdivision 21, is amended to read:

Subd. 21. St. Paul - Minnesota Museum of American Art

6,000,000

For a grant to the St. Paul Port Authority to acquire, design, construct, furnish, and equip new museum galleries and an art study facility for the Minnesota Museum of American Art. This

facility provides space to celebrate the legacy of Minnesota art and artists and is part of the restoration of the historic Pioneer Endicott Building, and a part of a multiphase project, of which only the museum galleries and art study facility constructed with this appropriation shall be state bond financed property subject to Minnesota Statutes, section 16A.695. This appropriation is not available until the commissioner of management and budget has determined that:

(1) at least an amount equal to this appropriation has been committed or previously expended for design, construction, and furnishing of the adjacent Minnesota Museum of American Art Center for Creativity facilities, which are not subject to Minnesota Statutes, section 16A.695, with funds from nonstate sources; and

(2) sufficient other state and nonstate funds are available, if funds beyond this appropriation are required, to complete the museum galleries and art study facility.

Funds invested in the Minnesota Museum of American Art Center for Creativity facilities by an investor receiving an assignment of state historic tax credits as provided in Minnesota Statutes, section 290.0681, are nonstate funds for purposes of this requirement. Only expenditures made after January 1, 2012, shall qualify for the required match. Due to the integrated nature of the overall development, public bidding shall not be required.

Sec. 41. Laws 2017, First Special Session chapter 8, article 1, section 21, subdivision 8, is amended to read:

Subd. 8. Dennison - Sewage Treatment System Improvements

726,000

For a grant to the city of Dennison to predesign, design, and construct a new lift station and ~~make~~ sewage pond improvements, and to acquire and install electrical infrastructure improvements to provide electrical power to the sewer ponds. This appropriation does not require a nonstate contribution.

Sec. 42. Laws 2017, First Special Session chapter 8, article 1, section 23, subdivision 3, is amended to read:

Subd. 3. Historic Fort Snelling

4,000,000

To design facilities to support visitor services and history programs at Historic Fort Snelling. Upon completion of design, the unspent portion of this appropriation is available for the next phase of the project, as provided in article 1, section 24, subdivision 3.

Sec. 43. **CAPITOL ART EXHIBIT ADVISORY COMMITTEE; FIRST APPOINTMENTS AND FIRST MEETING.**

(a) Appointing authorities for membership of the Capitol Art Exhibit Advisory Committee under Minnesota Statutes, section 15B.36, shall make first appointments to the committee by September 15, 2018. The commissioner of administration shall convene the first meeting of the committee by November 1, 2018, and serves as chair until the committee elects a chair from among its members at its first meeting.

(b) The following members are appointed to an initial term that ends January 5, 2021: two members appointed by the governor; one member each appointed by the majority leader of the senate, the minority leader of the senate, the speaker of the house, and the minority leader of the house of representatives. The remaining members are appointed to terms that end on January 3, 2023.

Sec. 44. **VETERANS HOMES CONSTRUCTION.**

Subdivision 1. **Short title.** This section may be cited as the "People's Veterans Homes Act."

Subd. 2. **Veterans homes established.** (a) The commissioner of veterans affairs may apply for federal funding and establish veterans homes with up to 72 beds per facility available to provide a continuum of care, including skilled nursing care, for eligible veterans and their spouses in the following locations:

(1) Preston;

(2) Montevideo; and

(3) Bemidji.

(b) The state shall provide the necessary operating costs for the veterans homes in excess of any revenue and federal funding for the homes that may be required to continue the operation of the homes and care for Minnesota veterans.

Subd. 3. **Nonstate contribution.** The commissioner of administration may accept contributions of land or money from private individuals, businesses, local governments, veterans service organizations, and other nonstate sources for the purpose of providing matching funding when soliciting federal funding for the development of the homes authorized by this section.

Sec. 45. **APPROPRIATION; ANALYZING COSTS AND RATEPAYER IMPACTS OF WATER QUALITY REGULATIONS.**

(a) \$500,000 in fiscal year 2020 and \$500,000 in fiscal year 2021 are appropriated from the general fund to the commissioner of administration for a grant to any higher education institution to review water quality regulations and national pollutant discharge elimination system permits. The grant is subject to Minnesota Statutes, section 16B.98. The grantee may select the water quality regulations and permits to be reviewed, but must give preference to reviewing any draft NPDES permit that has new effluent limit requirements for a publicly owned wastewater treatment facility outside the seven-county metropolitan area. Any permit review must analyze the technical accuracy of the permit, the costs to the permittee to comply with the permit, the impact on business and residential rates, the water quality benefit of permit compliance, and the anticipated funding for the permittee from federal and state sources. This appropriation is available until expended.

(b) Upon completion of the permit review, the grantee must provide a copy of the review to the permittee and the commissioner of the Pollution Control Agency. The grantee must also submit a report summarizing its findings in each permit review performed in the previous calendar year to the chairs and ranking minority members of the legislative committees with jurisdiction over capital investment, environmental finance and policy, and job growth.

Sec. 46. **NOWTHEN; COMPREHENSIVE PLAN.**

Notwithstanding any law, metropolitan system plan, or the 2015 system statement for the city of Nowthen, the Metropolitan Council shall conform its metropolitan development guide, system plans, and the system statement for the city of Nowthen to implement any changes requested by the city of Nowthen relating to the council's designation of part or all of the city for purposes of the metropolitan development guide, systems plans and statements, and the city's comprehensive plan.

EFFECTIVE DATE; APPLICATION. This section is effective the day after the governing body of the city of Nowthen and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3. This section applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 47. **RICE CREEK RAILROAD BRIDGE.**

(a) From the amount appropriated under article 1, section 16, the commissioner of transportation must provide the grant to Minnesota Commercial Railway Company to demolish the existing railroad bridge over Rice Creek in New Brighton and to predesign, design, acquire any needed right-of-way, engineer, construct, and equip a replacement railroad bridge to meet the needs of the railroad operators that use the bridge.

(b) The grant under this section is contingent on:

(1) review and approval of the railway company's design, engineering, and plans for the project by Ramsey County to ensure the project does not interfere with recreational use of adjacent park property and Rice Creek, and by the Rice Creek Watershed District to ensure that the project's impact on flows in the creek complies with the watershed district's adopted rules. These reviews and approvals are in addition to any other reviews, permits, or approvals required for the project;

(2) Minnesota Commercial Railway Company removing all structures related to the existing bridge, including any pilings, footings, or water control structures placed to protect the existing bridge structures, from the Rice Creek streambed as part of the demolition and removal of the existing bridge, except to the extent prohibited by a permitting authority, including but not limited to the Department of Natural Resources and the United States Army Corps of Engineers. The replacement bridge and structures are the property of the owner of the railroad right-of-way and railroad operator, as may be arranged between them; and

(3) Minnesota Commercial Railway Company entering into an agreement with Ramsey County that: (i) grants the company access to both construct and perform ongoing maintenance on the bridge; and (ii) provides for repair of the county trail damaged by railway maintenance work that occurred in the two years before the effective date of this section, as well as immediately after construction and any subsequent maintenance activities.

(c) By entering into a grant agreement with the commissioner of transportation, Minnesota Commercial Railway Company agrees to cooperate with the city of New Brighton and Ramsey County to develop crossings and trails in or near to the railway right-of-way in the city.

Sec. 48. **STONE ARCH BRIDGE INTEGRITY PROTECTION.**

No state agency or political subdivision shall grant permission to or enter into any agreement with any person, corporation, or entity to allow or facilitate construction of any type under, near, or adjacent to the James J. Hill Stone Arch Bridge over the Mississippi River that may disturb the foundations or piers or that may adversely affect the structural integrity of the Stone Arch Bridge.

EFFECTIVE DATE. This section is effective the day after final enactment and expires after completion of repair to the Stone Arch Bridge, as described in the capital budget request submitted by the commissioner of transportation, published by the commissioner of management and budget in January 2018.

Sec. 49. **EFFECTIVE DATE.**

Except as otherwise provided, this article is effective the day following final enactment.

ARTICLE 3
ENVIRONMENT AND NATURAL RESOURCES TRUST FUND APPROPRIATIONS

Section 1. **APPROPRIATIONS.**

The sums shown in the columns marked "Appropriations" are appropriated to the agencies and for the purposes specified in this act. The appropriations are from the environment and natural resources trust fund, or another named fund, and are available for the fiscal years indicated for each purpose. The figures "2018" and "2019" used in this act mean that the appropriations listed under them are available for the fiscal year ending June 30, 2018, or June 30, 2019, respectively. "The first year" is fiscal year 2018. "The second year" is fiscal year 2019. "The biennium" is fiscal years 2018 and 2019.

<u>APPROPRIATIONS</u>	
<u>Available for the Year</u>	
<u>Ending June 30</u>	
<u>2018</u>	<u>2019</u>

Sec. 2. **MINNESOTA RESOURCES**

Subdivision 1. **Total Appropriation**

\$89,000

\$42,799,000

The amounts that may be spent for each purpose are specified in the following subdivisions. Appropriations are available for two years beginning July 1, 2018, unless otherwise stated in the appropriation. Any unencumbered balance remaining in the first year does not cancel and is available for the second year or until the end of the appropriation.

Subd. 2. **Definition**

"Trust fund" means the Minnesota environment and natural resources trust fund established under the Minnesota Constitution, article XI, section 14.

Subd. 3. **Foundational Natural Resource Data and Information**

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4,233,000

(a) County Geologic Atlases - Part A

\$1,240,000 the second year is from the trust fund to the Board of Regents of the University of Minnesota, Minnesota Geological Survey, to continue producing county geologic atlases for the purpose of informed management of surface water and groundwater resources. This appropriation is to complete part A, which focuses on the properties and distribution of earth materials to define aquifer boundaries and the connection of aquifers to the land surface and surface water resources. This appropriation is available until June 30, 2022, by which time the project must be completed and final products delivered.

(b) Providing Critical Water-Quality Information for Lake Management

\$250,000 the second year is from the trust fund to the Board of Regents of the University of Minnesota to develop a semiautomated system to acquire, process, and deliver new satellite-derived water-quality data in near real time on water clarity, algae, and turbidity for Minnesota lakes. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

(c) Minnesota Biodiversity Atlas - Phase 2

\$350,000 the second year is from the trust fund to the Board of Regents of the University of Minnesota to expand the biodiversity atlas project by adding more than 800,000 records and images of Minnesota wildlife, plants, and fungi, including observations from state agencies and other museum collections, to enhance research, guide field surveys, and inform conservation planning. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

(d) Peatland Forest Management

\$600,000 the second year is from the trust fund to the Board of Regents of the University of Minnesota to identify management actions to maximize benefits to wildlife, water quality, timber production, and native plant communities in peatland forests. This appropriation is available until June 30, 2022, by which time the project must be completed and final products delivered.

(e) Assessing Natural Resource Benefits Provided by Lichens and Mosses

\$213,000 the second year is from the trust fund to the Board of Regents of the University of Minnesota to survey, map, and analyze mosses and lichens across the state, including their moisture-retention capacity, effects on hydrology, and ability to filter airborne pollutants. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

(f) Develop a System to Assess Wildlife Health Threats in Minnesota

\$280,000 the second year is from the trust fund to the Board of Regents of the University of Minnesota to develop a statewide information-management system that uses wildlife-rehabilitation data to identify emerging threats to wildlife health in Minnesota.

(g) Conserving Minnesota's Forest Birds of Management Concern

\$500,000 the second year is from the trust fund to the Board of Regents of the University of Minnesota for the Natural Resources Research Institute in Duluth to identify forest-management actions and guidelines to conserve birds in Minnesota's forests. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

(h) Mapping Avian Movement in Minnesota

\$200,000 the second year is from the trust fund to the Board of Regents of the University of Minnesota for the Natural Resources Research Institute in Duluth to pilot the establishment of a network of automated radio-telemetry stations to monitor bird migration and local movements and to develop strategic plans for using the infrastructure long term to monitor animal movement for conservation. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

(i) Improve Trout-Stream Management by Understanding Variable Winter Thermal Conditions

\$400,000 the second year is from the trust fund to the Board of Regents of the University of Minnesota to identify how winter groundwater flows, air temperature, and streambed conditions affect insect productivity in order to guide restoration and management efforts in southeastern Minnesota trout streams. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

(j) Develop Sonar Data Mapping on Three Rivers to Assess Suitability for Native Mussel Habitat

\$200,000 the second year is from the trust fund to the commissioner of natural resources for an agreement with the National Park Service to create high-resolution sonar data maps to identify critical native mussel habitat for the designated Lower St. Croix National Scenic Riverway and the Mississippi National River and Recreation Area including part of the Minnesota River.

Subd. 4. Water Resources

89,000

5,786,000

(a) Pilot Program to Optimize Local Mechanical and Pond Wastewater-Treatment Plants

\$89,000 the first year and \$611,000 the second year are from the trust fund to the commissioner of the Minnesota Pollution Control Agency, in partnership with the Minnesota Rural Water

Association and the University of Minnesota's Technical Assistance Program, to implement a pilot program to optimize existing local mechanical and pond wastewater-treatment systems to increase nutrient removal and improve efficiency without requiring costly upgrades.

(b) Assess and Develop Strategies to Remove Microscopic Plastic-Particle Pollution from Minnesota Water Bodies

\$300,000 the second year is from the trust fund to the Board of Regents of the University of Minnesota to assess, track, and develop methods to remove microscopic plastic particles that are dispersed and accumulating as pollution in Minnesota water bodies. This appropriation is subject to Minnesota Statutes, section 116P.10. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

(c) Reduce Chlorides in Minnesota Waters by Evaluating Road-Salt Alternatives and Pavement Innovations

\$400,000 the second year is from the trust fund to the Board of Regents of the University of Minnesota to investigate road-salt alternatives and pavement innovations to reduce lake, stream, and groundwater degradation caused by road-salt chlorides. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

(d) Protect Water Quality with Efficient Removal of Contaminants in Treatment Ponds for Storm Water

\$325,000 the second year is from the trust fund to the Board of Trustees of the Minnesota State Colleges and Universities system for St. Cloud State University to evaluate the effectiveness of best management practices in removing contaminants from storm water to safeguard aquatic habitats. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

(e) Develop Small and Inexpensive Purification System for Community Drinking Water

\$425,000 the second year is from the trust fund to the Board of Regents of the University of Minnesota to develop a small and inexpensive purification-technology system for community drinking-water facilities to remove toxic contaminants, make water safe to drink, and improve drinking-water quality. This appropriation is subject to Minnesota Statutes, section 116P.10. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

(f) Evaluate Emerging Pathogens in Lakes, Rivers, and Tap Water to Keep Drinking Water Safe

\$325,000 the second year is from the trust fund to the Board of Regents of the University of Minnesota to evaluate emerging pathogens including Legionella and mycobacteria to ensure that surface water used for drinking water and tap water is safe to drink. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

(g) Characterize Unregulated Contaminants in Source Water and Drinking Water

\$1,000,000 the second year is from the trust fund to the commissioner of health to establish monitoring networks of public water-system wells and surface-water intakes to determine if contaminants persist after standard public water treatment. This appropriation is available until June 30, 2022, by which time the project must be completed and final products delivered.

(h) Mapping Antibiotic Resistance in Minnesota to Help Protect Environmental, Animal, and Human Health

\$750,000 the second year is from the trust fund to the Board of Regents of the University of Minnesota to quantify and map antibiotic and antibiotic-resistance gene contamination in Minnesota waters and soils to identify locations in need of mitigation to protect environmental, animal, and human health. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

(i) Farmer-Led Expansion of Alfalfa Production to Increase Water Protection

\$500,000 the second year is from the trust fund to the Board of Regents of the University of Minnesota to develop a farmer-led, market-based working-lands approach to increase water protection in agricultural areas by targeted expansion of alfalfa production and development of methods to convert alfalfa to high-value bioproducts. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

(j) Using Perennial Grain Crops in Wellhead Protection Areas to Protect Groundwater

\$250,000 the second year is from the trust fund to the commissioner of agriculture to establish demonstration plots of Kernza, a new intermediate perennial grain crop, to evaluate the potential to profitably reduce nitrate contamination of groundwater

in vulnerable wellhead protection regions of Minnesota. Any income generated as part of this appropriation may be used to expand the project.

(k) Implement Pilot Credit-Trading System for Storm Water in Shell Rock River Watershed to Improve Water Quality

\$300,000 the second year is from the trust fund to the commissioner of natural resources for an agreement with the Shell Rock River Watershed District to develop and implement a pilot water-quality credit-trading program for storm water that provides voluntary and cost-effective options to reduce pollution on a watershed scale.

(l) Lake Agnes Treatment

\$600,000 the second year is to the Board of Water and Soil Resources for a grant to the Alexandria Lake Area Sanitary District for lake management activities, including, but not limited to, alum treatment in Lake Agnes, carp removal in Lake Winona, and related management and reassessment measures that are intended to achieve and maintain compliance with water quality standards for phosphorus and the total maximum daily load for Lake Winona.

Subd. 5. Technical Assistance, Outreach, and Environmental Education

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4,418,000

(a) Prairie Sportsman Statewide Environmental Broadcasts and Videos

\$300,000 the second year is from the trust fund to the commissioner of natural resources for an agreement with Pioneer Public Television to provide outreach on outdoor recreation, conservation, and natural resource issues, including water quality, wildlife habitat, and invasive species, through a series of interrelated educational and training videos and statewide broadcast television programs.

(b) YES! Students Take on Minnesota Water Quality Challenge

\$213,000 the second year is from the trust fund to the commissioner of natural resources for an agreement with Prairie Woods Environmental Learning Center to expand the Youth Energy Summit (YES!) model to improve local waterways by training and mobilizing over 20 youth-led teams in Minnesota communities to complete 30 or more projects related to water quality including monitoring and reporting.

(c) Get Outdoors After-School Training

\$30,000 the second year is from the trust fund to the commissioner of natural resources for an agreement with Project Get Outdoors to train and equip youth leaders at out-of-school youth organizations across Minnesota with knowledge, skills, and resources to incorporate outdoor nature activities into after-school programs for at least 6,000 children, including those from underserved populations.

(d) Connecting Students with Water Stewardship through Hands-on Learning

\$400,000 the second year is from the trust fund to the commissioner of natural resources for an agreement with Minnesota Trout Unlimited to engage students in classroom and outdoor hands-on learning focused on water quality, groundwater, aquatic life, and watershed stewardship and providing youth and their families with fishing experiences. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

(e) Expanding River Watch Program on the Minnesota River With High School Teams

\$100,000 the second year is from the trust fund to the commissioner of natural resources for an agreement with Friends of the Minnesota Valley to expand a River Watch program on the Minnesota River to recruit at least 15 additional teams of high school students in monthly monitoring and reporting of water quality.

(f) Pollinator Ambassadors Program for Gardens

\$250,000 the second year is from the trust fund to the Board of Regents of the University of Minnesota to increase knowledge of pollinators in gardens and yards and improve pollinator habitat by expanding outreach, training, and tools for Minnesota communities as part of the Pollinator Ambassadors program. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

(g) Morris Prairie Pollinator Demonstration Area and Education

\$550,000 the second year is from the trust fund to the Board of Regents of the University of Minnesota for the West Central Research and Outreach Center at Morris to restore 17 acres of native prairie for pollinators and to construct wayside shelters and kiosks along an existing trail to provide information to visitors on the importance of pollinators and native prairie ecosystems. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

(h) Expanding Nature Knowledge and Experience with New Interactive Exhibits at North Mississippi Regional Park

\$500,000 the second year is from the trust fund to the commissioner of natural resources for an agreement with the Minneapolis Park and Recreation Board to develop new interactive exhibits at North Mississippi Regional Park to encourage the approximately 326,000 annual visitors to better understand and explore the river and surrounding natural area.

(i) Update International Wolf Center Exhibits

\$1,000,000 the second year is from the trust fund to the commissioner of natural resources for an agreement with the International Wolf Center to design, construct, and install new interactive educational exhibits to help Minnesotans understand coexistence with the state's wolf populations and ongoing wolf-management efforts.

(j) Expanding the State's Reuse Economy to Conserve Natural Resources

\$275,000 the second year is from the trust fund to the commissioner of natural resources for an agreement with ReUSE Minnesota to provide outreach and technical assistance to communities and small businesses to create and expand opportunities for reusing, renting, and repairing consumer goods as an alternative to using new materials so solid-waste disposal and its impacts are measurably reduced and more local reuse jobs are created. Net income generated as part of this appropriation may be reinvested in the project if a plan for reinvestment is approved in the work plan.

(k) Expand Materials Reuse and Recycling Jobs Program

\$665,000 the second year is from the trust fund to the commissioner of natural resources for an agreement with Better Futures Minnesota, in cooperation with the Northwest Indian Community Development Corporation, and \$135,000 the second year is from the trust fund to the Board of Regents of the University of Minnesota for the Natural Resources Research Institute in Duluth to expand building deconstruction and material-reuse practices and jobs in partnership with counties, tribes, and municipalities statewide and to document the environmental, health, and economic benefits of these practices. Net income generated by Better Futures as part of this or a previous related appropriation from the environment and natural resources trust fund may be reinvested in the project if a plan for reinvestment is approved in the work plan.

Subd. 6. Aquatic and Terrestrial Invasive Species**-0-****5,760,000****(a) Minnesota Invasive Terrestrial Plants and Pests Center - Phase 4**

\$3,500,000 the second year is from the trust fund to the Board of Regents of the University of Minnesota for high-priority research at the Invasive Terrestrial Plants and Pests Center to protect Minnesota's natural and agricultural resources from terrestrial invasive plants, pathogens, and pests as identified through the center's strategic prioritization process. This appropriation is available until June 30, 2023, by which time the project must be completed and final products delivered.

(b) Palmer Amaranth Detection and Eradication Continuation

\$431,000 the second year is from the trust fund to the commissioner of agriculture to continue to monitor, ground survey, and control Palmer amaranth primarily in conservation plantings and to develop and implement aerial-survey methods to prevent infestation and protect prairies, other natural areas, and agricultural crops.

(c) Evaluate Control Methods for Invasive Hybrid Cattails

\$131,000 the second year is from the trust fund to the commissioner of natural resources for an agreement with Voyageurs National Park to evaluate the effectiveness of mechanical harvesting and managing muskrat populations to remove exotic hybrid cattails and restore fish and wildlife habitat in Minnesota wetlands. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

(d) Developing RNA Interference to Control Zebra Mussels

\$500,000 the second year is from the trust fund to the commissioner of natural resources for an agreement with the United States Geological Survey to develop a genetic control tool that exploits the natural process of RNA silencing to specifically target and effectively control zebra mussels without affecting other species or causing other nontarget effects. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

(e) Install and Evaluate an Invasive Carp Deterrent for Mississippi River Locks and Dams

\$998,000 the second year is from the trust fund to the Board of Regents of the University of Minnesota in cooperation with the United States Army Corps of Engineers and the United States Fish

and Wildlife Service to install, evaluate, and optimize a system in Mississippi River locks and dams to deter passage of invasive carp without negatively impacting native fish and to evaluate the ability of predator fish in the pools above the locks and dams to consume young carp. The project must conduct a cost comparison of equipment purchase versus lease options and choose the most effective option. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

(f) Determining Risk of Toxic Alga in Minnesota Lakes

\$200,000 the second year is from the trust fund to the Science Museum of Minnesota for the St. Croix Watershed Research Station to determine the historical distribution, abundance, and toxicity of the invasive blue-green alga, *Cylindrospermopsis raciborskii*, in about 20 lakes across Minnesota and inform managers and the public about the alga's spread and health risks. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

Subd. 7. Air Quality and Renewable Energy

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1,200,000

(a) Develop Solar Window Concentrators for Electricity

\$350,000 the second year is from the trust fund to the Board of Regents of the University of Minnesota to develop, evaluate, and optimize thin film silicon-based luminescent solar window concentrators in order to produce inexpensive, clean energy and reduce air pollution. This appropriation is subject to Minnesota Statutes, section 116P.10. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

(b) Demonstrations for Community-Scale Storage Systems for Renewable Energy

\$550,000 the second year is from the trust fund to the Board of Regents of the University of Minnesota to install, demonstrate, and evaluate three community-scale storage systems for renewable energy and develop a guidebook on storing renewable energy for statewide use. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

(c) Develop Inexpensive Energy from Simple Roll-to-Roll Manufacturing

\$300,000 the second year is from the trust fund to the Board of Regents of the University of Minnesota to develop inexpensive, high-efficiency solar energy with simple roll-to-roll advanced

manufacturing technology, using new materials such as perovskite to make solar cells. This appropriation is subject to Minnesota Statutes, section 116P.10. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

Subd. 8. Methods to Protect or Restore Land, Water, and Habitat

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3,389,000

(a) Nongame Wildlife Program Acceleration

\$220,000 the second year is from the trust fund to the commissioner of natural resources to accelerate the nongame wildlife program including rare wildlife data collection, habitat management, collaborative land protection, conservation education, and a new emphasis on promoting nature tourism to benefit wildlife, visitors, and rural communities.

(b) Develop Biomulch to Replace Plastic Soil Covering in Vegetable and Fruit Production to Increase Yield and Reduce Waste

\$310,000 the second year is from the trust fund to the Board of Regents of the University of Minnesota to develop and test the performance of biodegradable biomulch to increase yield, conserve water, suppress weeds and pests, add nutrients to the soil, and replace large amounts of nonrecyclable and nondegradable plastic used in vegetable and fruit production. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

(c) Develop Market-Based Alternatives for Perennial Crops to Benefit Water Quality and Wildlife

\$150,000 the second year is from the trust fund to the Science Museum of Minnesota for the St. Croix Watershed Research Station to design and evaluate at least six market-based scenarios for perennial cropping systems in Minnesota, including technological and economic feasibility, and estimate their potential to improve water quality and provide wildlife habitat. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

(d) Agricultural Weed Control Using Autonomous Mowers

\$1,600,000 the second year is from the trust fund to the Board of Regents of the University of Minnesota for the West Central Research and Outreach Center at Morris to design, integrate, and field-test an autonomous pasture mower and solar charging station to control weeds, reduce herbicide use, reduce energy costs, and improve native vegetation and forage quality on agricultural lands.

This appropriation is subject to Minnesota Statutes, section 116P.10. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

(e) Restoring Forests in Minnesota State Parks

\$250,000 the second year is from the trust fund to the commissioner of natural resources to restore at least 255 acres of high-quality forests in state parks such as Itasca, Jay Cooke, and Forestville Mystery Cave State Parks and Greenleaf Lake State Recreation Area. This appropriation is available until June 30, 2023, by which time the project must be completed and final products delivered.

(f) Develop Strategies for Timber Harvest to Minimize Soil Impacts to Maintain Healthy and Diverse Forests

\$200,000 the second year is from the trust fund to the Board of Regents of the University of Minnesota to develop strategies and practical tools to minimize soil compaction and other impacts across a range of conditions during timber harvest to maintain timber availability, improve regeneration of diverse forests, and benefit wildlife habitat. This appropriation is available until June 30, 2022, by which time the project must be completed and final products delivered.

(g) Restoring Wetland Invertebrates to Revive Wildlife Habitat

\$400,000 the second year is from the trust fund to the commissioner of natural resources to assess invertebrate amphipods in wetlands and explore stocking them as a valuable food source for ducks and other wildlife in the Prairie Pothole Region of the state. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

(h) Preserving Minnesota's Native Orchids - Phase 2

\$259,000 the second year is from the trust fund to the Board of Regents of the University of Minnesota for the Minnesota Landscape Arboretum to expand collection and preservation efforts to enable long-term conservation of at least 25 of the 48 native orchid species in Minnesota and to continue propagation and cultivation research. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

Subd. 9. Land Acquisition, Habitat, and Recreation**-0-****17,439,000****(a) Grants for Local Parks, Trails, and Natural Areas**

\$2,000,000 the second year is from the trust fund to the commissioner of natural resources to solicit, rank, and fund competitive matching grants for local parks, trail connections, and natural and scenic areas under Minnesota Statutes, section 85.019. The appropriation is for local nature-based recreation and connections to regional and state natural areas and recreation facilities and does not include athletic facilities such as sport fields, courts, and playgrounds. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

(b) Develop Mesabi Trail Segment From County Road 88 to Ely

\$600,000 the second year is from the trust fund to the commissioner of natural resources for an agreement with the St. Louis and Lake Counties Regional Railroad Authority for environmental assessment, permitting, right-of-way easements or other acquisition as needed, engineering, and construction of an approximately three-mile-long bituminous surface section of the Mesabi Trail between Ely and the intersection of Highway 169 and County Road 88. This appropriation is available until June 30, 2022, by which time the project must be completed and final products delivered.

(c) Harmony State Trail Extension Land Acquisition

\$235,000 the second year is from the trust fund to the commissioner of natural resources for an agreement with the city of Harmony to acquire fee title of about 16 parcels to allow for the approximate six-mile extension of the legislatively authorized state trail from Harmony south to the Iowa state border with a spur to Niagara Cave. The land must be transferred to the state after it has been purchased.

(d) Mississippi Blufflands State Trail - Red Wing Barn Bluff to Colvill Park Segment

\$550,000 the second year is from the trust fund to the commissioner of natural resources for an agreement with the city of Red Wing to be used with other funds to construct an approximate three-quarter-mile-long hard-surfaced segment of the Mississippi Blufflands State Trail along Red Wing's Mississippi River riverfront from Barn Bluff Regional Park to Colvill Park. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

(e) Swedish Immigrant Regional Trail Segment within Interstate State Park

\$2,254,000 the second year is from the trust fund to the commissioner of natural resources for an agreement with Chisago County Environmental Services to construct an approximate one-half-mile regional county trail segment within Interstate State Park from the end point of the existing trail at the park boundary to city hall including a trail bridge over the ravine and parking and trailhead improvements and to conduct a natural and cultural review to determine the feasibility and route of a future section of the trail through the park. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

(f) Enhancement Plan for Superior Hiking Trail

\$100,000 the second year is from the trust fund to the commissioner of natural resources for an agreement with the Superior Hiking Trail Association to evaluate improvements to the 310-mile-long Superior Hiking Trail including routing, safety, water management, maintenance, and other environmental, recreational, and design issues and to develop an interactive trail-management system to capture efficiencies and best management practices.

(g) Protecting Mississippi River Headwaters Lands through Local, State, and Federal Partnership

\$700,000 the second year is from the trust fund to the commissioner of natural resources for an agreement with the city of Baxter, in cooperation with Brainerd Public Schools and the Camp Ripley Sentinel Landscape Program, to acquire about 200 acres of forested land on the upper Mississippi River adjacent to Mississippi River Overlook Park for multiple public benefits, including being an outdoor classroom for local schools. To be eligible for reimbursement, costs for real estate transactions must be specific to this acquisition and documented as required in subdivision 15, paragraph (k).

(h) Protecting North-Central Minnesota Lakes

\$750,000 the second year is from the trust fund to the commissioner of natural resources for an agreement with the Crow Wing County Soil and Water Conservation District to increase watershed protection to maintain and improve water quality in lakes and rivers in Aitkin and Crow Wing Counties with about ten permanent RIM conservation easements and 12 forest stewardship plans and by implementing six best management practices. Of this amount, up to \$59,000 may be contributed to an easement stewardship account established under Minnesota Statutes, section 103B.103, as approved in the work plan.

(i) Easement Program for Native Prairie Bank

\$2,000,000 the second year is from the trust fund to the commissioner of natural resources to provide technical stewardship assistance to private landowners, restore and enhance about 270 acres of native prairie protected by easements in the native prairie bank, and acquire easements for the native prairie bank in accordance with Minnesota Statutes, section 84.96, on about 275 acres, including preparing initial baseline property assessments. Up to \$120,000 of this appropriation may be deposited in the natural resources conservation easement stewardship account, created in Minnesota Statutes, section 84.69, proportional to the number of easement acres acquired. A list of proposed easement acquisitions and restoration sites for the native prairie bank are required in the work plan. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

(j) Minnesota State Trail Development

\$2,500,000 the second year is from the trust fund to the commissioner of natural resources to expand high-priority recreational opportunities on Minnesota's state trails by developing new trail segments and rehabilitating, improving, and enhancing existing state trails. High-priority trail segments to develop and enhance include but are not limited to the Gateway, Gitchi Gami, Paul Bunyan, and Heartland State Trails. A proposed list of trail projects on legislatively authorized state trails is required in the work plan. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

(k) Minnesota State Parks and State Trails

\$2,500,000 the second year is from the trust fund to the commissioner of natural resources to acquire about 163 acres of high-priority in holdings from willing sellers within the legislatively authorized boundaries of state parks and trails in order to protect Minnesota's natural heritage, enhance outdoor recreational opportunities, and improve the efficiency of public land management. Priorities include but are not limited to Tettegouche, Sibley, and Minneopa State Parks and the Goodhue Pioneer State Trail. A list of proposed acquisitions is required in the work plan. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

(l) Scientific and Natural Areas Program

\$3,250,000 the second year is from the trust fund to the commissioner of natural resources for the scientific and natural areas program. Of this amount, \$1,500,000 is for habitat restoration activities, \$500,000 is for scientific and natural areas

public engagement and outreach, and \$1,250,000 is to acquire strategic high-quality lands that meet criteria for scientific and natural areas under Minnesota Statutes, section 86A.05, from willing sellers. A list of proposed acquisitions and restorations is required in the work plan. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

Subd. 10. Emerging Issues Account

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439,000

\$439,000 the second year is from the trust fund to an emerging issues account authorized in Minnesota Statutes, section 116P.08, subdivision 4, paragraph (d).

Subd. 11. Wastewater Treatment Recommendations

(a) Wastewater Treatment System Grants

Until June 30, 2021, the Legislative-Citizen Commission on Minnesota Resources must consider recommending up to \$10,000,000 of the available money from the trust fund to match appropriations from the bond proceeds fund for wastewater infrastructure funding that exceed \$10,000,000 per year for expenditure by the Public Facilities Authority for wastewater treatment grants to home rule charter and statutory cities and towns with a population under 5,000. The grants must be issued under Minnesota Statutes, sections 446A.072 and 446A.073. The recommendations may include a technical assistance program for recipients eligible under this subdivision. The commission must work with the Public Facilities Authority in developing its recommendations. Any deadlines established by the commission for submission of proposals for the commission's fiscal year 2020 recommendations are waived until July 1, 2018, for proposals authorized under this subdivision.

(b) Wastewater Treatment System Loans

The commission must consider recommending up to five percent of the corpus of the trust fund for loans to the Public Facilities Authority to issue loans under Minnesota Statutes, section 446A.07, to home rule charter and statutory cities and towns with a population under 5,000.

(c) Work Program and Semiannual Progress Report

The work plan required under Minnesota Statutes, section 116P.05, subdivision 2, paragraph (b), must consist of lists showing the fundable ranges for grants and loans pursuant to this subdivision.

Subd. 12. Contract Agreement Reimbursement-0-135,000

\$135,000 the second year is from the trust fund to the commissioner of natural resources, at the direction of the Legislative-Citizen Commission on Minnesota Resources, for expenses incurred for preparing and administering contracts for the agreements specified in this section. The commissioner must provide documentation to the Legislative-Citizen Commission on Minnesota Resources on the expenditure of these funds.

Subd. 13. Availability of Appropriations

Money appropriated in this section may not be spent on activities unless they are directly related to and necessary for a specific appropriation and are specified in the work plan approved by the Legislative-Citizen Commission on Minnesota Resources. Money appropriated in this section must not be spent on indirect costs or other institutional overhead charges that are not directly related to and necessary for a specific appropriation. Costs that are directly related to and necessary for an appropriation, including financial services, human resources, information services, rent, and utilities, are eligible only if the costs can be clearly justified and individually documented specific to the appropriation's purpose and would not be generated by the recipient but for receipt of the appropriation. No broad allocations for costs in either dollars or percentages are allowed. Unless otherwise provided, the amounts in this section are available until June 30, 2020, when projects must be completed and final products delivered. For acquisition of real property, the appropriations in this section are available for an additional fiscal year if a binding contract for acquisition of the real property is entered into before the expiration date of the appropriation. If a project receives a federal grant, the period of the appropriation is extended to equal the federal grant period.

Subd. 14. Data Availability Requirements

Data collected by the projects funded under this section must conform to guidelines and standards adopted by the Office of MN.IT Services. Spatial data must also conform to additional guidelines and standards designed to support data coordination and distribution that have been published by the Minnesota Geospatial Information Office. Descriptions of spatial data must be prepared as specified in the state's geographic metadata guideline and must be submitted to the Minnesota Geospatial Information Office. All data must be accessible and free to the public unless made private under the Data Practices Act, Minnesota Statutes, chapter 13. To the extent practicable, summary data and results of projects funded under this section should be readily accessible on the Internet and identified as having received funding from the environment and natural resources trust fund.

Subd. 15. Project Requirements

(a) As a condition of accepting an appropriation under this section, an agency or entity receiving an appropriation or a party to an agreement from an appropriation must comply with paragraphs (b) to (l) and Minnesota Statutes, chapter 116P, and must submit a work plan and annual or semiannual progress reports in the form determined by the Legislative-Citizen Commission on Minnesota Resources for any project funded in whole or in part with funds from the appropriation. Modifications to the approved work plan and budget expenditures must be made through the amendment process established by the Legislative-Citizen Commission on Minnesota Resources.

(b) A recipient of money appropriated in this section that conducts a restoration using funds appropriated in this section must use native plant species according to the Board of Water and Soil Resources' native vegetation establishment and enhancement guidelines and include an appropriate diversity of native species selected to provide habitat for pollinators throughout the growing season as required under Minnesota Statutes, section 84.973.

(c) For all restorations conducted with money appropriated under this section, a recipient must prepare an ecological restoration and management plan that, to the degree practicable, is consistent with the highest-quality conservation and ecological goals for the restoration site. Consideration should be given to soil, geology, topography, and other relevant factors that would provide the best chance for long-term success and durability of the restoration project. The plan must include the proposed timetable for implementing the restoration, including site preparation, establishment of diverse plant species, maintenance, and additional enhancement to establish the restoration; identify long-term maintenance and management needs of the restoration and how the maintenance, management, and enhancement will be financed; and take advantage of the best-available science and include innovative techniques to achieve the best restoration.

(d) An entity receiving an appropriation in this section for restoration activities must provide an initial restoration evaluation at the completion of the appropriation and an evaluation three years after the completion of the expenditure. Restorations must be evaluated relative to the stated goals and standards in the restoration plan, current science, and, when applicable, the Board of Water and Soil Resources' native vegetation establishment and enhancement guidelines. The evaluation must determine whether the restorations are meeting planned goals, identify any problems with implementing the restorations, and, if necessary, give recommendations on improving restorations. The evaluation must be focused on improving future restorations.

(e) All restoration and enhancement projects funded with money appropriated in this section must be on land permanently protected by a conservation easement or public ownership.

(f) A recipient of money from an appropriation under this section must give consideration to contracting with Conservation Corps Minnesota for contract restoration and enhancement services.

(g) All conservation easements acquired with money appropriated under this section must:

(1) be permanent;

(2) specify the parties to an easement in the easement;

(3) specify all the provisions of an agreement that are permanent;

(4) be sent to the Legislative-Citizen Commission on Minnesota Resources in an electronic format at least ten business days before closing;

(5) include a long-term monitoring and enforcement plan and funding for monitoring and enforcing the easement agreement; and

(6) include requirements in the easement document to protect the quantity and quality of groundwater and surface water through specific activities such as keeping water on the landscape, reducing nutrient and contaminant loading, and not permitting artificial hydrological modifications.

(h) For any acquisition of lands or interest in lands, a recipient of money appropriated under this section must not agree to pay more than 100 percent of the appraised value for a parcel of land using this money to complete the purchase, in part or in whole, except that up to ten percent above the appraised value may be allowed to complete the purchase, in part or in whole, using this money if permission is received in advance of the purchase from the Legislative-Citizen Commission on Minnesota Resources.

(i) For any acquisition of land or interest in land, a recipient of money appropriated under this section must give priority to high-quality natural resources or conservation lands that provide natural buffers to water resources.

(j) For new lands acquired with money appropriated under this section, a recipient must prepare an ecological restoration and management plan in compliance with paragraph (c), including sufficient funding for implementation unless the work plan addresses why a portion of the money is not necessary to achieve a high-quality restoration.

(k) To ensure public accountability for using public funds, a recipient of money appropriated under this section must, within 60 days of the transaction, provide to the Legislative-Citizen Commission on Minnesota Resources documentation of the selection process used to identify parcels acquired and provide documentation of all related transaction costs, including but not limited to appraisals, legal fees, recording fees, commissions, other similar costs, and donations. This information must be provided for all parties involved in the transaction. The recipient must also report to the Legislative-Citizen Commission on Minnesota Resources any difference between the acquisition amount paid to the seller and the state-certified or state-reviewed appraisal, if a state-certified or state-reviewed appraisal was conducted.

(l) A recipient of an appropriation from the trust fund under this section must acknowledge financial support from the environment and natural resources trust fund in project publications, signage, and other public communications and outreach related to work completed using the appropriation. Acknowledgment may occur, as appropriate, through use of the trust fund logo or inclusion of language attributing support from the trust fund. Each direct recipient of money appropriated in this section, as well as each recipient of a grant awarded pursuant to this section, must satisfy all reporting and other requirements incumbent upon constitutionally dedicated funding recipients as provided in Minnesota Statutes, section 3.303, subdivision 10, and Minnesota Statutes, chapter 116P.

Subd. 16. Payment Conditions and Capital-Equipment Expenditures

(a) All agreements, grants, or contracts referred to in this section must be administered on a reimbursement basis unless otherwise provided in this section. Notwithstanding Minnesota Statutes, section 16A.41, expenditures made on or after July 1, 2018, or the date the work plan is approved, whichever is later, are eligible for reimbursement unless otherwise provided in this section. Periodic payments must be made upon receiving documentation that the deliverable items articulated in the approved work plan have been achieved, including partial achievements as evidenced by approved progress reports. Reasonable amounts may be advanced to projects to accommodate cash-flow needs or match federal money. The advances must be approved as part of the work plan. No expenditures for capital equipment are allowed unless expressly authorized in the project work plan.

(b) Single-source contracts as specified in the approved work plan are allowed.

Subd. 17. Purchasing Recycled and Recyclable Materials

A political subdivision, public or private corporation, or other entity that receives an appropriation under this section must use the appropriation in compliance with Minnesota Statutes, section 16C.0725, regarding purchasing recycled, repairable, and durable materials and Minnesota Statutes, section 16C.073, regarding purchasing and using paper stock and printing.

Subd. 18. Energy Conservation and Sustainable Building Guidelines

A recipient to whom an appropriation is made under this section for a capital improvement project must ensure that the project complies with the applicable energy conservation and sustainable building guidelines and standards contained in law, including Minnesota Statutes, sections 16B.325, 216C.19, and 216C.20, and rules adopted under those sections. The recipient may use the energy planning, advocacy, and State Energy Office units of the Department of Commerce to obtain information and technical assistance on energy conservation and alternative-energy development relating to planning and constructing the capital improvement project.

Subd. 19. Accessibility

Structural and nonstructural facilities must meet the design standards in the Americans with Disabilities Act (ADA) accessibility guidelines.

Subd. 20. Carryforward; Extension

(a) The availability of the appropriations for the following projects are extended to June 30, 2019:

(1) Laws 2014, chapter 226, section 2, subdivision 6, paragraph (j), Dredged Sediment for Forest Restoration on Unproductive Minelands;

(2) Laws 2014, chapter 226, section 2, subdivision 7, paragraph (b), Metropolitan Regional Park System Acquisition, as extended by Laws 2017, chapter 96, section 2, subdivision 18, paragraph (a), clause (5);

(3) Laws 2015, chapter 76, section 2, subdivision 3, paragraph (b), County Geologic Atlases - Part B;

(4) Laws 2015, chapter 76, section 2, subdivision 4, paragraph (a), Understanding Water Scarcity, Threats, and Values to Improve Management;

(5) Laws 2015, chapter 76, section 2, subdivision 6, paragraph (c), Biological Control of Canada Thistle;

(6) Laws 2015, chapter 76, section 2, subdivision 6, paragraph (d), Preventing New Disease of Pines in Minnesota;

(7) Laws 2015, chapter 76, section 2, subdivision 9, paragraph (d), Native Prairie Stewardship and Prairie Bank Easement Acquisition;

(8) Laws 2015, chapter 76, section 2, subdivision 9, paragraph (g), Metro Conservation Corridors Phase VIII - Priority Expansion of Minnesota Valley National Wildlife Refuge; and

(9) Laws 2015, chapter 76, section 2, subdivision 10, Emerging Issues Account.

(b) The availability of the appropriations for the following projects are extended to June 30, 2020:

(1) Laws 2015, chapter 76, section 2, subdivision 9, paragraph (b), Metropolitan Regional Park System Land Acquisition - Phase IV;

(2) Laws 2016, chapter 186, section 2, subdivision 10, paragraph (b), Grants Management System;

(3) Laws 2017, chapter 96, section 2, subdivision 6, paragraph (d), Adapting Stream Barriers to Remove Common Carp; and

(4) Laws 2016, chapter 186, section 2, subdivision 9, paragraph (g), Otter Tail River Recreational Trail Acquisition.

(c) The availability of the appropriation under Laws 2017, chapter 96, section 2, subdivision 8, paragraph (l), Conservation Reserve Enhancement Program (CREP), is extended to June 30, 2022.

(d) The availability of the appropriation under Laws 2017, chapter 96, section 2, subdivision 3, paragraph (n), Pollinator Research and Outreach, is extended to June 30, 2023.

Subd. 21. Fiscal Year 2020 Recommendations

For fiscal year 2020, the commission shall consider recommending funding for the Pollution Control Agency to clean up a closed landfill in Burnsville for the protection of the state's air, water, land, fish, and wildlife from significant contamination. Any deadlines established by the commission for submission of proposals for the commission's fiscal year 2020 recommendations are waived until July 15, 2018, for proposals authorized under this subdivision.

Sec. 3. Minnesota Statutes 2016, section 116P.08, subdivision 2, is amended to read:

Subd. 2. **Exceptions.** Money from the trust fund may not be spent for:

(1) purposes of environmental compensation and liability under chapter 115B and response actions under chapter 115C;

(2) purposes of municipal water pollution control in municipalities with a population of 5,000 or more under the authority of chapters 115 and 116;

(3) costs associated with the decommissioning of nuclear power plants;

(4) hazardous waste disposal facilities;

(5) solid waste disposal facilities; or

(6) projects or purposes inconsistent with the strategic plan.

Sec. 4. Minnesota Statutes 2016, section 116P.12, subdivision 1, is amended to read:

Subdivision 1. **Loans authorized.** (a) If the principal of the trust fund equals or exceeds \$200,000,000, the commission may vote to set aside up to five percent of the principal of the trust fund for water system improvement loans. The purpose of water system improvement loans is to offer below market rate interest loans to local units of government for the purposes of water system improvements.

(b) The interest on a loan shall be calculated on the declining balance at a rate ~~four percentage points below that is the greater of one percent or 50 percent of~~ the secondary market yield of one-year United States Treasury bills calculated according to section 549.09, subdivision 1, paragraph (c).

(c) An eligible project must prove that existing federal or state loans or grants have not been adequate.

(d) Payments on the principal and interest of loans under this section must be credited to the trust fund.

(e) Repayment of loans made under this section must be completed within 20 years.

(f) The Minnesota Public Facilities Authority must report to the commission each year on ~~the loan program any~~ loans made to the authority under this section.

Sec. 5. Laws 2015, chapter 76, section 2, subdivision 9, is amended to read:

Subd. 9. **Land Acquisition for Habitat and Recreation**

14,190,000

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(a) State Parks and Trails Land Acquisitions

\$1,500,000 the first year is from the trust fund to the commissioner of natural resources to acquire at least 335 acres for authorized state trails and critical parcels within the statutory boundaries of state parks. State park land acquired with this appropriation must be sufficiently improved to meet at least minimum management standards, as determined by the commissioner of natural resources. A list of proposed acquisitions must be provided as part of the

required work plan. This appropriation is available until June 30, 2018, by which time the project must be completed and final products delivered.

(b) Metropolitan Regional Park System Land Acquisition - Phase IV

\$1,000,000 the first year is from the trust fund to the Metropolitan Council for grants to acquire at least 133 acres of lands within the approved park unit boundaries of the metropolitan regional park system. This appropriation may not be used to purchase habitable residential structures. A list of proposed fee title and easement acquisitions must be provided as part of the required work plan. This appropriation must be matched by at least 40 percent of nonstate money that must be committed by December 31, 2015, or the appropriation cancels. This appropriation is available until June 30, 2018, by which time the project must be completed and final products delivered.

(c) SNA Acquisition, Restoration, Enhancement, and Public Engagement

\$4,000,000 the first year is from the trust fund to the commissioner of natural resources to acquire at least 350 acres of lands with high-quality native plant communities and rare features to be established as scientific and natural areas as provided in Minnesota Statutes, section 86A.05, subdivision 5, restore and improve at least 550 acres of scientific and natural areas, and provide technical assistance and outreach. A list of proposed acquisitions must be provided as part of the required work plan. Land acquired with this appropriation must be sufficiently improved to meet at least minimum management standards, as determined by the commissioner of natural resources. This appropriation is available until June 30, 2018, by which time the project must be completed and final products delivered.

(d) Native Prairie Stewardship and Prairie Bank Easement Acquisition

\$3,325,000 the first year is from the trust fund to the commissioner of natural resources to acquire native prairie bank easements on at least 675 acres, prepare baseline property assessments, restore and enhance at least 1,000 acres of native prairie sites, and provide technical assistance to landowners. Of this amount, up to ~~\$135,000~~ \$195,000 must be deposited in a conservation easement stewardship account. Deposits into the conservation easement stewardship account must be made upon closing on conservation easements or at a time otherwise approved in the work plan. A list of proposed easement acquisitions must be provided as part of the required work plan. This appropriation is available until June 30, 2018, by which time the project must be completed and final products delivered.

(e) Metro Conservation Corridors - Phase VIII Coordination, Mapping, and Conservation Easements

\$515,000 the first year is from the trust fund to the commissioner of natural resources for an agreement with the Minnesota Land Trust for Phase VIII of the Metro Conservation Corridors partnership to provide coordination and mapping for the partnership and to acquire permanent conservation easements on at least 120 acres of strategic ecological landscapes to protect priority natural areas in the metropolitan area, as defined under Minnesota Statutes, section 473.121, subdivision 2, and portions of the surrounding counties. A list of proposed easement acquisitions must be provided as part of the required work plan. Land acquired with this appropriation must be sufficiently improved to meet at least minimum management standards, as determined by the commissioner of natural resources. Expenditures are limited to the identified project corridor areas as defined in the work plan. Up to \$40,000 may be used for coordination and mapping for the Metro Conservation Corridors. All conservation easements must be perpetual and have a natural resource management plan. A list of proposed easement acquisitions must be provided as part of the required work plan. This appropriation is available June 30, 2018, by which time the project must be completed and final products delivered.

(f) Metro Conservation Corridors - Phase VIII Strategic Lands Protection

\$750,000 the first year is from the trust fund to the commissioner of natural resources for an agreement with The Trust for Public Land for Phase VIII of the Metro Conservation Corridors partnership to acquire in fee at least 35 acres of high-quality priority state and local natural areas in the metropolitan area, as defined under Minnesota Statutes, section 473.121, subdivision 2, and portions of the surrounding counties. A list of proposed acquisitions must be provided as part of the required work plan. Land acquired with this appropriation must be sufficiently improved to meet at least minimum management standards, as determined by the commissioner of natural resources. Expenditures are limited to the identified project corridor areas as defined in the work plan. This appropriation may not be used to purchase habitable residential structures, unless expressly approved in the work plan. A list of fee title acquisitions must be provided as part of the required work plan. This appropriation is available until June 30, 2018, by which time the project must be completed and final products delivered.

(g) Metro Conservation Corridors - Phase VIII Priority Expansion of Minnesota Valley National Wildlife Refuge

\$500,000 the first year is from the trust fund to the commissioner of natural resources for an agreement with the Minnesota Valley National Wildlife Refuge Trust, Inc. for Phase VIII of the Metro Conservation Corridors partnership to acquire in fee at least 100 acres of priority habitat for the Minnesota Valley National Wildlife Refuge in the metropolitan area, as defined under Minnesota Statutes, section 473.121, subdivision 2, and portions of the surrounding counties. A list of proposed acquisitions must be provided as part of the required work plan. Land acquired with this appropriation must be sufficiently improved to meet at least minimum management standards. Expenditures are limited to the identified project corridor areas as defined in the work plan. This appropriation may not be used to purchase habitable residential structures, unless expressly approved in the work plan. This appropriation is available until June 30, 2018, by which time the project must be completed and final products delivered.

(h) Metro Conservation Corridors - Phase VIII Wildlife Management Area Acquisition

\$400,000 the first year is from the trust fund to the commissioner of natural resources for Phase VIII of the Metro Conservation Corridors partnership to acquire in fee at least 82 acres along the lower reaches of the Vermillion River in Dakota County within the Gores Pool Wildlife Management Area. Land acquired with this appropriation must be sufficiently improved to meet at least minimum management standards. This appropriation may not be used to purchase habitable residential structures, unless expressly approved in the work plan. This appropriation is available until June 30, 2018, by which time the project must be completed and final products delivered.

(i) Mesabi Trail Development Soudan to Ely - Phase II

\$1,000,000 the first year is from the trust fund to the commissioner of natural resources for an agreement with the St. Louis and Lake Counties Regional Railroad Authority for the right-of-way acquisition, design, and construction of segments of the Mesabi Trail, totaling approximately seven miles between Soudan and Ely. This appropriation is available until June 30, 2018, by which time the project must be completed and final products delivered.

(j) Multi-benefit Watershed Scale Conservation on North Central Lakes

\$950,000 the first year is from the trust fund to the Board of Water and Soil Resources to secure permanent conservation easements on at least 480 acres of high-quality habitat in Crow Wing and Cass

Counties. Of this amount, up to \$65,000 must be deposited in a conservation easement stewardship account; and \$54,000 is for an agreement with the Leech Lake Area Watershed Foundation in cooperation with Crow Wing County Soil and Water Conservation District and Cass County Soil and Water Conservation District. Deposits into the conservation easement stewardship account must be made upon closing on conservation easements or at a time otherwise approved in the work plan. A list of proposed easement acquisitions must be provided as part of the required work plan. This appropriation is available until June 30, 2018, by which time the project must be completed and final products delivered.

(k) Conservation Easement Assessment and Valuation System Development

\$250,000 the first year is from the trust fund to the Board of Regents of the University of Minnesota to assess the effectiveness of existing conservation easements acquired through state expenditures at achieving their intended outcomes of public value and ecological benefits and to develop a standardized, objective conservation easement valuation system for guiding future state investments in conservation easements to ensure the proposed environmental benefits are being achieved in a cost-effective manner. This appropriation is available until June 30, 2018, by which time the project must be completed and final products delivered.

Sec. 6. Laws 2016, chapter 186, section 2, subdivision 9, is amended to read:

Subd. 9. Land Acquisition, Habitat, and Recreation

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8,793,000

(a) Scientific and Natural Area Restoration

\$1,386,000 the second year is from the trust fund to the commissioner of natural resources to restore and improve approximately 750 acres of scientific and natural areas. A list of proposed restorations must be provided as part of the required work plan. This appropriation is available until June 30, 2019, by which time the project must be completed and final products delivered.

(b) Minnesota Point Pine Forest Scientific and Natural Area Acquisition

\$500,000 the second year is from the trust fund to the commissioner of natural resources in cooperation with the Duluth Airport Authority to acquire approximately ten acres as an addition to the designated Minnesota Point Pine Forest Scientific and Natural Area located along the shores of Lake Superior in Duluth.

(c) Conservation Easements in Avon Hills - Phase III

\$1,300,000 the second year is from the trust fund to the commissioner of natural resources for an agreement with Saint John's University in cooperation with Minnesota Land Trust to secure permanent conservation easements on approximately 500 acres of high-quality habitat in Stearns County, prepare conservation management plans, and provide public outreach. A list of proposed easement acquisitions must be provided as part of the required work plan. An entity that acquires a conservation easement with appropriations from the trust fund must have a long-term stewardship plan for the easement and a fund established for monitoring and enforcing the agreement. Funding for the long-term monitoring and enforcement fund must come from nonstate sources for easements acquired with this appropriation. The state may enforce requirements in the conservation easements on land acquired with this appropriation and the conservation easement document must state this authority and explicitly include requirements for water quality and quantity protection. This appropriation is available until June 30, 2019, by which time the project must be completed and final products delivered.

(d) Lincoln Pipestone Rural Water System Acquisition for Wellhead Protection

\$1,500,000 the second year is from the trust fund to the commissioner of natural resources for an agreement with Lincoln Pipestone Rural Water to acquire and restore lands designated under an approved wellhead protection plan. Lands acquired with this appropriation must be from willing sellers and be identified by the Department of Health as targeted vulnerable lands for wellhead protection. Lands must be restored to permanent vegetative cover, but may be used for recreation and renewable energy if adequate protection of the drinking water aquifer is provided. A list of proposed acquisitions must be provided as part of the required work plan. Plant and seed materials must follow the Board of Water and Soil Resources' native vegetation establishment and enhancement guidelines. Income derived from the lands acquired with funds appropriated under this paragraph is exempt from Minnesota Statutes, section 116P.10, if used for additional wellhead protection as provided under this paragraph until adequate wellhead protection has been achieved, as determined by the commissioner of health. Any income earned after that must be returned to the environment and natural resources trust fund. This appropriation is available until June 30, 2019, by which time the project must be completed and final products delivered.

(e) Mesabi Trail Segment from Highway 135 to Town of Embarrass

\$1,200,000 the second year is from the trust fund to the commissioner of natural resources for an agreement with the St. Louis and Lake Counties Regional Railroad Authority for engineering and construction of segments of the Mesabi Trail, totaling approximately six miles between Highway 135 and the town of Embarrass. This appropriation is available until June 30, 2019, by which time the project must be completed and final products delivered.

(f) Tower Historic Harbor Trail Connections

\$679,000 the second year is from the trust fund to the commissioner of natural resources for an agreement with the city of Tower to construct recreational trails along the harbor in Tower and to connect to the Mesabi Trail. This appropriation is available until June 30, 2019, by which time the project must be completed and final products delivered.

(g) Otter Tail River Recreational Trail Acquisition

\$600,000 the second year is from the trust fund to the commissioner of natural resources for an agreement with the city of Fergus Falls to acquire ~~approximately 16 acres~~ land along the Otter Tail River for a recreational trail and park. This appropriation is contingent on at least a ~~\$400,000~~ 40 percent match of nonstate money. Prior to the acquisition, a phase 1 environmental assessment must be completed and the city must not accept any liability for previous contamination of lands acquired with this appropriation.

(h) State Park and Trail Enhancement

*\$1,228,000 the second year is from the trust fund to the commissioner of natural resources for enhancement of state parks and trails as follows: \$614,000 is for enhancement of state parks and \$614,000 is for enhancement of state trails. This appropriation is not subject to Minnesota Statutes, sections 116P.05, subdivision 2, paragraph (b), and 116P.09, subdivision 4.**
(The preceding paragraph was indicated as vetoed by the governor.)

(i) Douglas County Regional Park

\$400,000 the second year is from the trust fund to the commissioner of natural resources for an agreement with Douglas County for park and trail planning, development, or acquisition for a regional park. The grant must be matched by other state or nonstate sources. This appropriation is available until June 30,

2019, by which time the project must be completed and final products delivered. (The preceding paragraph was indicated as vetoed by the governor.)*

Sec. 7. Laws 2017, chapter 96, section 2, subdivision 8, is amended to read:

Subd. 8. Methods to Protect or Restore Land, Water, and Habitat	2,729,000	16,554,000	5,000,000
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(a) Optimizing the Nutrition of Roadside Plants for Pollinators

\$815,000 the first year is from the trust fund to the Board of Regents of the University of Minnesota in cooperation with the Departments of Agriculture, Natural Resources, and Transportation and the Board of Water and Soil Resources to produce site-specific recommendations for roadside plantings in Minnesota to maximize the nutritional health of native bees and monarch butterflies that rely on roadside habitat corridors. This appropriation is available until June 30, 2020, by which time the project must be completed and final products delivered.

(b) Promoting Conservation Biocontrol of Beneficial Insects

\$400,000 the first year is from the trust fund to the Board of Regents of the University of Minnesota to research integrated pest management strategies, including insecticide alternatives, and overwintering habitat sites to conserve beneficial insects, including bees, butterflies, and predator insects. The integrated pest management strategies will be used to develop best management practices to increase pollinator and beneficial insect diversity and abundance in various restored habitats. This appropriation is available until June 30, 2020, by which time the project must be completed and final products delivered.

(c) Evaluating the Use of Bison to Restore and Preserve Savanna Habitat

\$388,000 the first year is from the trust fund to the Board of Regents of the University of Minnesota, Cedar Creek Ecosystem Science Reserve, to research combined bison grazing and fire management strategies to restore Minnesota's oak savanna ecosystems. This appropriation is available until June 30, 2020, by which time the project must be completed and final products delivered.

(d) State Park Pollinator Habitat Restoration

\$672,000 the first year is from the trust fund to the commissioner of natural resources to restore at least 520 acres of monarch butterfly and other native pollinator habitats in at least seven state parks in the Minnesota Prairie Conservation Plan core areas and

establish pollinator plantings and interpretive exhibits in at least ten state parks. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

(e) Enhancing Spawning Habitat Restoration in Minnesota Lakes

\$294,000 the first year is from the trust fund to the Board of Regents of the University of Minnesota, St. Anthony Falls Laboratory, in cooperation with the Department of Natural Resources to enhance efforts to increase natural reproduction of fish in Minnesota lakes by assessing wave energy impacts on near-shore spawning habitat. This appropriation is available until June 30, 2020, by which time the project must be completed and final products delivered.

(f) Prescribed-Fire Management for Roadside Prairies

\$345,000 the first year is from the trust fund to the commissioner of transportation to enhance the prescribed-fire program to manage roadsides to protect and increase biodiversity and pollinator habitat. This appropriation is available until June 30, 2020, by which time the project must be completed and final products delivered.

(g) Minnesota Bee and Beneficial Species Habitat Restoration

\$732,000 the first year is from the trust fund to the commissioner of natural resources for an agreement with Pheasants Forever in cooperation with the University of Minnesota and the Minnesota Honey Producers Association to restore approximately 800 acres of permanently protected land to enhance bee, butterfly, beneficial insect, and grassland bird habitats. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

(h) Mississippi and Vermillion Rivers Restoration of Prairie, Savanna, and Forest Habitat - Phase X

\$213,000 the first year is from the trust fund to the commissioner of natural resources for an agreement with Friends of the Mississippi River for continued implementation of the Metro Conservation Corridors partnership by improving at least 80 acres of habitat at approximately seven sites along the Mississippi River and Vermillion River corridors. Expenditures are limited to the identified project corridor areas as defined in the work plan. A list of proposed restoration sites must be provided as part of the required work plan. Plant and seed materials must follow the Board of Water and Soil Resources' native vegetation establishment and enhancement guidelines. This appropriation is available until June 30, 2020, by which time the project must be completed and final products delivered.

(i) Community Stewardship to Restore Urban Natural Resources - Phase X

\$524,000 the first year is from the trust fund to the commissioner of natural resources for an agreement with Great River Greening to work with volunteers for continued implementation of the Metro Conservation Corridors partnership to restore approximately 250 acres of forest, prairie, woodland, wetland, and shoreline throughout the greater Twin Cities metropolitan area. Expenditures are limited to the identified project corridor areas as defined in the work plan. A list of proposed restoration sites and evaluations must be provided as part of the required work plan. Plant and seed materials must follow the Board of Water and Soil Resources' native vegetation establishment and enhancement guidelines. This appropriation is available until June 30, 2020, by which time the project must be completed and final products delivered.

(j) Economic Assessment of Precision Conservation and Agriculture

\$400,000 the first year is from the trust fund to the commissioner of natural resources for an agreement with Pheasants Forever to demonstrate a new approach to promote conservation practices utilizing return-on-investment analysis and identifying revenue-negative acres on agricultural land to assist farmers in implementing conservation practices that will provide environmental and economic benefits. This appropriation is available until June 30, 2020, by which time the project must be completed and final products delivered.

(k) Conservation Reserve Enhancement Program (CREP) Outreach and Implementation

\$6,000,000 the first year is from the trust fund to the Board of Water and Soil Resources to fund staff at soil and water conservation districts to assist landowners participating in the federal Conservation Reserve Enhancement Program. This appropriation is contingent upon receipt of federal funds for implementation. This appropriation is available until June 30, 2020, by which time the project must be completed and final products delivered.

(l) Conservation Reserve Enhancement Program (CREP)

\$2,729,000 in fiscal year 2017 and \$5,771,000 the first year and \$5,000,000 the second year are from the trust fund to the Board of Water and Soil Resources to acquire permanent conservation easements and restore land under Minnesota Statutes, section 103F.515. Of this amount, up to \$2,184,000 is for establishing a monitoring and enforcement fund as approved in the work plan and

subject to Minnesota Statutes, section 103B.103. This work may be done in cooperation with the federal Conservation Reserve Enhancement Program. This appropriation is available until June 30, 2021, by which time the project must be completed and final products delivered.

Sec. 8. **LAKE WINONA MANAGEMENT; USING OFFSET, ADAPTIVE PLANNING.**

(a) To facilitate implementation of the Lake Winona total maximum daily load, the Alexandria Lake Area Sanitary District may fund or perform lake management activities in Lake Winona and in Lake Agnes. Lake management activities may include, but are not limited to, carp removal and alum treatment. If the district agrees to fund or perform lake management activities in Lake Winona and in Lake Agnes, the commissioner of the Pollution Control Agency shall do one of the following unless the district chooses another path to compliance that conforms to state and federal law, such as facility construction:

(1) approve an offset of the phosphorous loading proportional to the reduction achievable through lake management activities in Lake Winona and Lake Agnes creditable to the Alexandria Lake Area Sanitary District's wastewater treatment facility and issue or amend the district's NPDES permit MN004738 to include the offset. The approved offset may be related to the lake eutrophication response variable chlorophyll-a, but shall ensure the district can achieve compliance with phosphorus effluent limits through wastewater optimization techniques without performing capital upgrades to the wastewater treatment facility. The lake management activities contemplated under this paragraph need not be completed before the commissioner approves the offset and related discharge limits or issues the permit, but the permit may include a schedule of compliance outlining the required lake management activities and requiring that lake management activities in Lake Winona and Lake Agnes begin immediately upon permit issuance. The approved offset and related permit language must be consistent with Clean Water Act requirements and Minnesota Statutes, section 115.03, subdivision 10; or

(2) amend the district's NPDES permit MN004738 in a manner consistent with state and federal law to include an integrated and adaptive lake management plan and to extend the final compliance deadline for the final phosphorus concentration effluent limit related to the site specific standard for Lake Winona contained in the district's permit until the time that the adaptive lake management plan, including carp removal in Lake Winona, can be completed and the lake can be reassessed. The permit may include a schedule of compliance outlining the required lake management activities and requiring that lake management activities in Lake Winona and Lake Agnes begin immediately upon permit issuance.

(b) If the district agrees to fund or perform the lake management activities identified in paragraph (a), the district may cooperate with the city of Alexandria in those efforts. The district's responsibility for lake management activities in Lake Winona and Lake Agnes terminates upon completion of the lake management activities identified in the schedule of compliance contemplated under paragraph (a).

EFFECTIVE DATE. This section is effective the day after the governing body of the Alexandria Lake Area Sanitary District and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

ARTICLE 4
ENVIRONMENT AND NATURAL RESOURCES TRUST FUND
APPROPRIATION BONDS AND APPROPRIATIONS

Section 1. **[16A.969] ENVIRONMENT AND NATURAL RESOURCES TRUST FUND APPROPRIATION BONDS.**

Subdivision 1. **Definitions.** (a) The definitions in this subdivision apply to this section.

(b) "Appropriation bond" or "bond" means a bond, note, or other similar instrument of the state payable during a biennium from one or more of the following sources:

(1) money appropriated by law from the environment and natural resources trust fund in any biennium for debt service due with respect to obligations described in subdivision 2;

(2) proceeds of the sale of obligations described in subdivision 2;

(3) payments received for that purpose under agreements and ancillary arrangements described in subdivision 2, paragraph (d); and

(4) investment earnings on amounts in clauses (1) to (3).

(c) "Debt service" means the amount payable in any biennium of principal, premium, if any, and interest on appropriation bonds.

(d) "Environment and natural resources trust fund" or "trust fund" means the fund established under the Minnesota Constitution, article XI, section 14, and governed by that section and chapter 116P.

Subd. 2. **Authorization to issue appropriation bonds; accounts.** (a) Subject to the limitations of this subdivision, the commissioner may sell and issue appropriation bonds of the state under this section for public purposes and in amounts as provided by law. This authorization meets the public purposes established by the Minnesota Constitution, article XI, section 14 and chapter 116P, and shall be a supplement to the traditional sources of funding for environment and natural resources activities.

(b) The special appropriation trust fund bond proceeds fund is established in the state treasury. Proceeds of the appropriation bonds issued and sold must be credited to the special appropriation trust fund bond proceeds fund. A bond payments account is established in the special appropriation trust fund bond proceeds fund. All income from investment of the bond proceeds, as estimated by the commissioner, must be deposited into the account and is appropriated to the commissioner for the payment of principal and interest on the appropriation bonds.

(c) Appropriation bonds may be issued in one or more issues or series on the terms and conditions the commissioner determines to be in the best interests of the state, but the term on any series of appropriation bonds may not exceed 20 years. The appropriation bonds of each issue and series thereof shall be dated and bear interest, and may be includable in or excludable from the gross income of the owners for federal income tax purposes.

(d) At the time of, or in anticipation of, issuing the appropriation bonds, and at any time thereafter, so long as the appropriation bonds are outstanding, the commissioner may enter into agreements and ancillary arrangements relating to the appropriation bonds, including but not limited to trust indentures, grant agreements, lease or use agreements, operating agreements, management agreements, liquidity facilities, remarketing or dealer agreements, letter of credit agreements, insurance policies, guaranty agreements, reimbursement agreements, indexing agreements, or interest exchange agreements. Any payments made or received according to the agreement or ancillary arrangement shall be made from or deposited as provided in the agreement or ancillary arrangement. The determination of the commissioner included in an interest exchange agreement that the agreement relates to an appropriation bond shall be conclusive.

(e) The commissioner may enter into written agreements or contracts relating to the continuing disclosure of information necessary to comply with or facilitate the issuance of appropriation bonds in accordance with federal securities laws, rules, and regulations, including Securities and Exchange Commission rules and regulations in Code of Federal Regulations, title 17, section 240.15c2-12. An agreement may be in the form of covenants with purchasers and holders of appropriation bonds set forth in the order or resolution authorizing the issuance of the appropriation bonds, or a separate document authorized by the order or resolution.

(f) The appropriation bonds are not subject to chapter 16C.

Subd. 3. **Form; procedure.** (a) Appropriation bonds may be issued in the form of bonds, notes, or other similar instruments, and in the manner provided in section 16A.672. In the event that any provision of section 16A.672 conflicts with this section, this section shall control.

(b) Every appropriation bond shall include a conspicuous statement of the limitation established in subdivision 6.

(c) Appropriation bonds may be sold at either public or private sale upon such terms as the commissioner shall determine are not inconsistent with this section and may be sold at any price or percentage of par value. Any bid received may be rejected.

(d) Appropriation bonds must bear interest at a fixed or variable rate.

(e) Notwithstanding any other law, appropriation bonds issued under this section shall be fully negotiable.

Subd. 4. **Refunding bonds.** The commissioner may issue appropriation bonds for the purpose of refunding any appropriation bonds then outstanding, including the payment of any redemption premiums on the bonds, any interest accrued or to accrue to the redemption date, and costs related to the issuance and sale of the refunding bonds. The proceeds of any refunding bonds may, in the discretion of the commissioner, be applied to the purchase or payment at maturity of the appropriation bonds to be refunded, to the redemption of the outstanding appropriation bonds on any redemption date, or to pay interest on the refunding bonds and may, pending application, be placed in escrow to be applied to the purchase, payment, retirement, or redemption. Any escrowed proceeds, pending such use, may be invested and reinvested in obligations that are authorized investments under section 11A.24. The income earned or realized on the investment may also be applied to the payment of the appropriation bonds to be refunded or interest or premiums on the refunded appropriation bonds, or to pay interest on the refunding bonds. After the terms of the escrow have been fully satisfied, any balance of the proceeds and any investment income may be returned to the trust fund or, if applicable, the special appropriation trust fund bond proceeds fund for use in any lawful manner. All refunding bonds issued under this subdivision must be prepared, executed, delivered, and secured by appropriations in the same manner as the appropriation bonds to be refunded.

Subd. 5. **Appropriation bonds as legal investments.** Any of the following entities may legally invest any sinking funds, money, or other funds belonging to them or under their control in any appropriation bonds issued under this section:

(1) the state, the investment board, public officers, municipal corporations, political subdivisions, and public bodies;

(2) banks and bankers, savings and loan associations, credit unions, trust companies, savings banks and institutions, investment companies, insurance companies, insurance associations, and other persons carrying on a banking or insurance business; and

(3) personal representatives, guardians, trustees, and other fiduciaries.

Subd. 6. **No full faith and credit; state not required to make appropriations.** The appropriation bonds are not public debt of the state, and the full faith, credit, and taxing powers of the state are not pledged to the payment of the appropriation bonds or to any payment that the state agrees to make under this section. Appropriation bonds shall not be obligations paid directly, in whole or in part, from a tax of statewide application on any class of property, income, transaction, or privilege. Appropriation bonds shall be payable in each fiscal year only from amounts that the legislature may appropriate for debt service for any fiscal year, provided that nothing in this section shall be construed to require the state to appropriate money sufficient to make debt service payments with respect to

the appropriation bonds in any fiscal year. Appropriation bonds shall be canceled and shall no longer be outstanding on the earlier of (1) the first day of a fiscal year for which the legislature shall not have appropriated amounts sufficient for debt service, or (2) the date of final payment of the principal of and interest on the appropriation bonds.

Subd. 7. **Appropriation for debt service and other purposes.** Notwithstanding section 116P.05, subdivision 2, paragraph (b), the amount needed to pay principal and interest on appropriation bonds issued under this section and as authorized by other law is appropriated each fiscal year from legally available amounts in the environment and natural resources trust fund to the commissioner, subject to repeal, unallotment under section 16A.152, or cancellation, otherwise pursuant to subdivision 6, for deposit into the bond payments account established for such purpose in the special appropriation trust fund bond proceeds fund. Investment income earned on proceeds of the appropriation bonds issued under this section shall be deposited in the bond payments account and is appropriated to the commissioner.

Subd. 8. **Waiver of immunity.** The waiver of immunity by the state provided for by section 3.751, subdivision 1, shall be applicable to the appropriation bonds and any ancillary contracts to which the commissioner is a party.

Sec. 2. Minnesota Statutes 2017 Supplement, section 116P.08, subdivision 1, is amended to read:

Subdivision 1. **Expenditures.** (a) Money in the trust fund may be spent only for:

- (1) the reinvest in Minnesota program as provided in section 84.95, subdivision 2;
- (2) research that contributes to increasing the effectiveness of protecting or managing the state's environment or natural resources;
- (3) collection and analysis of information that assists in developing the state's environmental and natural resources policies;
- (4) enhancement of public education, awareness, and understanding necessary for the protection, conservation, restoration, and enhancement of air, land, water, forests, fish, wildlife, and other natural resources;
- (5) capital projects for the preservation and protection of unique natural resources;
- (6) activities that preserve or enhance fish, wildlife, land, air, water, and other natural resources that otherwise may be substantially impaired or destroyed in any area of the state;
- (7) administrative and investment expenses incurred by the State Board of Investment in investing deposits to the trust fund; ~~and~~
- (8) administrative expenses subject to the limits in section 116P.09-; and
- (9) to pay principal and interest on special appropriation trust fund bonds issued pursuant to section 16A.969 and other law.

(b) In making recommendations for expenditures from the trust fund, the commission shall give priority to funding programs and projects under paragraph (a), clauses (1) and (6). Any requests for proposals issued by the commission shall clearly indicate these priorities.

Sec. 3. **[446A.076] ESTIMATED FUNDING NEEDS.**

By February 1 each year, the Public Facilities Authority must submit to the legislative committees with jurisdiction over capital investment and environment and natural resources finance an estimate of the amount necessary to fund grants under sections 446A.072 and 446A.073. The report shall show for each community included in the estimate:

(1) the average annual residential wastewater treatment rates for the community if the community does not receive any grant funding under sections 446A.072 and 446A.073;

(2) the average annual residential wastewater treatment rates for the community if the community receives the maximum amount that the community is qualified for under sections 446A.072 and 446A.073; and

(3) a comparison of the rates in clause (2) with three times the annual Twin Cities metropolitan area weighted average retail charge per household as determined in the most recent Survey of Municipal Residential Wastewater Rates prepared by Metropolitan Council Environmental Services.

Sec. 4. **SPECIAL APPROPRIATION TRUST FUND BONDS; AUTHORIZATION; APPROPRIATIONS.**

Subdivision 1. **Appropriations; general.** The sums shown in the column under "Appropriations" are appropriated from the special appropriation trust fund bond proceeds fund to the state agencies or officials indicated, to be spent for public purposes. Money appropriated in this section must be spent as authorized by the Minnesota Constitution, article XI, section 14, Minnesota Statutes, section 16A.969, and unless otherwise specified, as authorized by and subject to the requirements of Minnesota Statutes, chapter 116P. Unless otherwise specified, money appropriated in this section is available until June 30, 2022. Money remaining from an appropriation for a project that is completed or abandoned cancels to the bond payments account established for such purpose in the special appropriation trust fund bond proceeds fund, or if not needed for debt service, to the environment and natural resources trust fund.

Subd. 2. **Legislative findings; appropriations supplement other sources of funding for projects.** The legislature finds that the appropriations in this section are consistent with the requirement in Minnesota Statutes, section 116P.03, that expenditures of money from the environment and natural resources trust fund are for public purposes that supplement traditional sources of money to pay for expenditures authorized by Minnesota Statutes, section 116P.08, subdivision 1. Further, the legislature finds that notwithstanding any limitation on use of trust fund money in Minnesota Statutes, chapter 116P, the appropriations in this section are for a public purpose and supplement other sources of money to help pay for projects that are consistent with the purposes of the trust fund.

Subd. 3. **Bond sale authorization.** To provide the money appropriated in this section, and to pay debt service including capitalized interest, costs of issuance, costs of credit enhancement, or make payments under other agreements entered into under Minnesota Statutes, section 16A.969, the commissioner of management and budget shall sell and issue up to \$98,000,000, net of costs of issuance, of special appropriation trust fund bonds, in the manner, upon the terms, and with the effect prescribed by Minnesota Statutes, section 16A.969.

Subd. 4. **Management and budget; bond sale expenses; annual debt service.** Up to \$2,940,000 is appropriated in fiscal year 2019 and up to \$7,840,000 is appropriated each fiscal year beginning in fiscal year 2020 and through fiscal year 2039, from the environment and natural resources trust fund to the commissioner of management and budget to pay principal and interest on appropriation bonds issued under this section, as provided in Minnesota Statutes, section 16A.969, subdivision 7.

Subd. 5. Natural Resources

To the commissioner of natural resources for the purposes specified in this section.

(1) Natural Resources Asset Preservation3,419,000

For the renovation of state-owned facilities and recreational assets within units of the outdoor recreation system classified under Minnesota Statutes, section 86A.05, operated by the commissioner of natural resources to be spent in accordance with Minnesota Statutes, section 84.946. Notwithstanding Minnesota Statutes, section 84.946, the commissioner may use this appropriation to replace buildings if, considering the embedded energy in the building, that is the most energy-efficient and carbon-reducing method of renovation.

(2) Elk River - Lake Orono1,500,000

For a grant to the city of Elk River to dredge Lake Orono.

(3) South St. Paul - Seidl's Lake781,000

For a grant to the city of South St. Paul for capital improvements to improve the water quality of Seidl's Lake. The capital improvements include design, engineering, construction, and equipping of a storm water lift station to discharge excess storm water into the city of South St. Paul's storm sewer system to minimize the fluctuating water levels of the lake. This project would be implemented jointly by the cities of South St. Paul, Inver Grove Heights, and West St. Paul.

Subd. 6. Pollution Control Agency

To the Pollution Control Agency for the purposes specified in this section.

(1) Anoka County-Waste Disposal Engineering Closed Landfill6,000,000

Notwithstanding Minnesota Statutes, section 116P.08, subdivision 2, to design and construct remedial systems, including cleanup and removal of a leaking hazardous waste pit and protection of groundwater, at the Waste Disposal Engineering site in Anoka County in accordance with the closed landfill program under Minnesota Statutes, sections 115B.39 to 115B.42.

(2) Lake Redwood Reclamation7,300,000

For a grant to the Redwood-Cottonwood Rivers Control Area, a joint powers entity, to predesign, design, construct, and equip the reservoir reclamation and enhancement of the 66-acre Lake

Redwood Reservoir, to remove approximately 650,000 cubic yards of sediment and increase its depth from approximately 2.8 feet to 20 feet in order to secure renewable energy capacity of the hydroelectric dam which is impeded by lack of water capacity, reduce the flow of pollutants to the Minnesota River, and increase fish habitat and enhance recreational opportunities.

Subd. 7. Board of Water and Soil Resources

To the Board of Water and Soil Resources for the purposes specified in this section.

Reinvest in Minnesota (RIM) Reserve Program

10,000,000

(a) To acquire conservation easements from landowners to preserve, restore, create, and enhance wetlands and associated uplands of prairie and grasslands, and restore and enhance rivers and streams, riparian lands, and associated uplands of prairie and grasslands in order to protect soil and water quality, support fish and wildlife habitat, reduce flood damage, and provide other public benefits. The provisions of Minnesota Statutes, section 103F.515, apply to this program.

(b) The board shall give priority to leveraging federal money by enrolling targeted new lands or enrolling environmentally sensitive lands that have expiring federal conservation agreements.

(c) The board is authorized to enter into new agreements and amend past agreements with landowners as required by Minnesota Statutes, section 103F.515, subdivision 5, to allow for restoration.

(d) Of this appropriation, up to five percent may be used for restoration, rehabilitation, and enhancement; and no more than \$1,000,000 may be used to acquire working lands easements.

Subd. 8. Public Facilities Authority

Notwithstanding Minnesota Statutes, section 116P.08, subdivision 2, to the Public Facilities Authority for the purposes specified in this section.

(1) State Match for Federal Grants

6,000,000

To match federal grants for the clean water revolving fund for wastewater treatment under Minnesota Statutes, section 446A.07. This appropriation must be used for qualified capital projects.

(2) Water Infrastructure Funding Program

14,652,000

For grants to eligible municipalities under the wastewater infrastructure funding program under Minnesota Statutes, section 446A.072, for wastewater projects listed on the Pollution Control Agency's project priority list in the fundable range under the clean water revolving fund program.

(3) Point Source Implementation Grants Program**38,348,000**

For grants to eligible municipalities under the point source implementation grants program under Minnesota Statutes, section 446A.073. This appropriation must be used for qualified capital projects.

Subd. 9. Metropolitan Council

To the Metropolitan Council for the purposes specified in this section.

Metropolitan Regional Parks and Trails Capital Improvements**10,000,000**

For the cost of improvements and betterments of a capital nature and acquisition by the council and local government units of regional recreational open-space lands in accordance with the council's policy plan as provided in Minnesota Statutes, section 473.147. This appropriation must not be used to purchase easements."

Delete the title and insert:

"A bill for an act relating to state government; authorizing spending to acquire and better public land and buildings and other improvements of a capital nature with certain conditions; appropriating money from the environment and natural resources trust fund with certain conditions; modifying previous appropriations; establishing new programs and modifying existing programs; authorizing the sale and issuance of state bonds; appropriating money; amending Minnesota Statutes 2016, sections 15B.32, as amended; 16A.642, subdivision 1; 16A.86, subdivision 4; 16B.335, subdivision 1; 16B.35, by adding a subdivision; 115.03, by adding a subdivision; 116.072, by adding a subdivision; 116P.08, subdivision 2; 116P.12, subdivision 1; 462A.37, subdivisions 1, 2, by adding subdivisions; Minnesota Statutes 2017 Supplement, sections 116P.08, subdivision 1; 222.49; 326B.124; 462A.2035, subdivisions 1, 1b; 462A.37, subdivision 5; 473.857, subdivision 2; Laws 2009, chapter 93, article 1, section 14, subdivision 3, as amended; Laws 2014, chapter 294, article 1, sections 5, subdivision 3; 7, subdivision 15, as amended; 21, subdivision 12, as amended; 22, subdivision 5; Laws 2014, chapter 295, section 9; Laws 2015, chapter 76, section 2, subdivision 9; Laws 2015, First Special Session chapter 5, article 1, section 10, subdivision 3, as amended; Laws 2016, chapter 186, section 2, subdivision 9; Laws 2017, chapter 96, section 2, subdivision 8; Laws 2017, First Special Session chapter 3, article 1, section 2, subdivisions 2, 3; Laws 2017, First Special Session chapter 8, article 1, sections 6, subdivision 6; 15, subdivisions 3, 11, 13; 16, subdivision 7; 17, subdivision 9; 19, subdivision 3; 20, subdivisions 9, 21; 21, subdivision 8; 23, subdivision 3; 27; proposing coding for new law in Minnesota Statutes, chapters 15B; 16A; 115; 245G; 446A."

We request the adoption of this report and repassage of the bill.

House Conferees: GREG DAVIDS, JERRY HERTAUS, STEVE DRAZKOWSKI and PAUL MARQUART.

Senate Conferees: ROGER C. CHAMBERLAIN, GARY H. DAHMS, JEREMY R. MILLER and DAVID H. SENJEM.

Dauids moved that the report of the Conference Committee on H. F. No. 1226 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

H. F. No. 1226, as amended by the Conference Committee, was read for the third time.

LAY ON THE TABLE

Davids moved that H. F. No. 1226, as amended by the Conference Committee, be laid on the table. The motion prevailed.

MESSAGES FROM THE SENATE

The following message was received from the Senate:

Mr. Speaker:

I hereby announce the passage by the Senate of the following Senate File, herewith transmitted:

S. F. No. 4075.

CAL R. LUDEMAN, Secretary of the Senate

FIRST READING OF SENATE BILLS

S. F. No. 4075, A bill for an act relating to legislative enactments; correcting miscellaneous oversights, inconsistencies, ambiguities, unintended results, and technical errors; amending Minnesota Statutes 2016, sections 14.47, subdivision 5; 45A.06, as added; Laws 2018, chapter 109; Laws 2018, chapter 121, sections 1; 2; 3; 4; 5; 6; 2018 S. F. No. 3656, article 24, section 72, if enacted.

The bill was read for the first time.

DECLARATION OF URGENCY

Pursuant to Article IV, Section 19, of the Constitution of the state of Minnesota, Peterson moved that the rule therein be suspended and an urgency be declared and that the rules of the House be so far suspended so that S. F. No. 4075 be given its second and third readings and be placed upon its final passage. The motion prevailed.

S. F. No. 4075 was read for the second time.

S. F. No. 4075, A bill for an act relating to legislative enactments; correcting miscellaneous oversights, inconsistencies, ambiguities, unintended results, and technical errors; amending Minnesota Statutes 2016, sections 14.47, subdivision 5; 45A.06, as added; Laws 2018, chapter 109; Laws 2018, chapter 121, sections 1; 2; 3; 4; 5; 6; 2018 S. F. No. 3656, article 24, section 72, if enacted.

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

The question was taken on the passage of the bill and the roll was called. There were 131 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Albright	Dean, M.	Hausman	Lien	Neu	Sauke
Allen	Dehn, R.	Heintzeman	Lillie	Newberger	Schomacker
Anderson, P.	Dettmer	Hertaus	Loeffler	Nornes	Schultz
Anderson, S.	Drazkowski	Hilstrom	Lohmer	O'Driscoll	Scott
Anselmo	Ecklund	Hoppe	Loon	Olson	Slocum
Applebaum	Erickson	Hornstein	Loonan	Omar	Smith
Backer	Fabian	Hortman	Lucero	O'Neill	Sundin
Bahr, C.	Fenton	Howe	Lueck	Pelowski	Swedzinski
Baker	Fischer	Jessup	Mahoney	Peppin	Theis
Barr, R.	Flanagan	Johnson, B.	Mariani	Petersburg	Torkelson
Bennett	Franke	Johnson, C.	Marquart	Peterson	Uglen
Bernardy	Franson	Jurgens	Masin	Pierson	Urdahl
Bliss	Freiberg	Kiel	Maye Quade	Pinto	Vogel
Bly	Garofalo	Knoblach	McDonald	Poppe	Wagenius
Carlson, A.	Green	Koegel	Metsa	Poston	Ward
Carlson, L.	Grossell	Koznick	Miller	Pryor	West
Christensen	Gruenhagen	Kresha	Moran	Pugh	Whelan
Clark	Gunther	Kunesh-Podein	Munson	Quam	Wills
Considine	Haley	Layman	Murphy, E.	Rarick	Youakim
Daniels	Halverson	Lee	Murphy, M.	Rosenthal	Zerwas
Davids	Hamilton	Lesch	Nash	Runbeck	Spk. Daudt
Davnie	Hansen	Liebling	Nelson	Sandstede	

The bill was passed and its title agreed to.

MOTIONS AND RESOLUTIONS

Loon moved that the names of Davids, Haley, Knoblach, Fenton and Pugh be added as authors on H. F. No. 947. The motion prevailed.

Davids moved that the names of Urdahl; Grossell; Jurgens; Bliss; Layman; Barr, R.; Franke and Haley be added as authors on H. F. No. 1226. The motion prevailed.

Whelan moved that her name be stricken as an author on H. F. No. 4459. The motion prevailed.

Hansen moved that the name of Bernardy be added as an author on H. F. No. 4460. The motion prevailed.

Hansen moved that the name of Fischer be added as an author on H. F. No. 4510. The motion prevailed.

Koznick moved that the name of Pugh be added as an author on H. F. No. 4537. The motion prevailed.

Schultz moved that the name of Sundin be added as an author on H. F. No. 4538. The motion prevailed.

Freiberg moved that the names of Moran and Kunesh-Podein be added as authors on H. F. No. 4541. The motion prevailed.

Fischer moved that H. F. No. 4162 be returned to its author. The motion prevailed.

There being no objection, the order of business reverted to Messages from the Senate.

MESSAGES FROM THE SENATE

The following messages were received from the Senate:

Mr. Speaker:

I hereby announce that the Senate has concurred in and adopted the report of the Conference Committee on:

H. F. No. 2899, A bill for an act relating to insurance; requiring notification of the statutory prohibition against payment of rebates or deductibles by residential contractors; amending Minnesota Statutes 2016, section 325E.66, subdivision 1.

The Senate has repassed said bill in accordance with the recommendation and report of the Conference Committee. Said House File is herewith returned to the House.

CAL R. LUDEMAN, Secretary of the Senate

Mr. Speaker:

I hereby announce that the Senate has concurred in and adopted the report of the Conference Committee on:

H. F. No. 3422, A bill for an act relating to game and fish; modifying bait and equipment requirements for infested waters; amending Minnesota Statutes 2016, section 97C.345, subdivision 3a; Minnesota Statutes 2017 Supplement, section 84D.03, subdivisions 3, 4.

The Senate has repassed said bill in accordance with the recommendation and report of the Conference Committee. Said House File is herewith returned to the House.

CAL R. LUDEMAN, Secretary of the Senate

Mr. Speaker:

I hereby announce the passage by the Senate of the following House File, herewith returned, as amended by the Senate, in which amendments the concurrence of the House is respectfully requested:

H. F. No. 4425, A bill for an act relating to capital investment; appropriating money for the Rural Finance Authority; authorizing the sale and issuance of state bonds.

CAL R. LUDEMAN, Secretary of the Senate

CONCURRENCE AND REPASSAGE

Miller moved that the House concur in the Senate amendments to H. F. No. 4425 and that the bill be repassed as amended by the Senate. The motion prevailed.

H. F. No. 4425, A bill for an act relating to state government; authorizing spending to acquire and better public land and buildings and other improvements of a capital nature with certain conditions; appropriating money from the environment and natural resources trust fund with certain conditions; providing for environment and natural resources trust fund appropriation bonds; modifying grant and permitting requirements; providing for the legislative budget office; modifying previous appropriations; establishing new programs and modifying existing programs; authorizing the sale and issuance of state bonds; appropriating money; amending Minnesota Statutes 2016, sections 10A.01, subdivision 35; 13.64, by adding a subdivision; 15B.32, as amended; 16A.642, subdivision 1; 16A.86, subdivision 4; 16B.335, subdivision 1; 16B.35, by adding a subdivision; 115.03, by adding a subdivision; 116.072, by adding a subdivision; 116P.08, subdivision 2; 116P.12, subdivision 1; 462A.222, subdivision 3; 462A.37, subdivisions 1, 2, by adding subdivisions; Minnesota Statutes 2017 Supplement, sections 3.8853, subdivisions 1, 2, by adding subdivisions; 3.98, subdivision 1; 116P.08, subdivision 1; 222.49; 326B.124; 462A.2035, subdivisions 1, 1b; 462A.37, subdivision 5; 473.857, subdivision 2; Laws 2009, chapter 93, article 1, section 14, subdivision 3, as amended; Laws 2013, chapter 136, section 3, subdivision 2; Laws 2014, chapter 294, article 1, sections 5, subdivision 3; 7, subdivision 15, as amended; 12, subdivision 2; 21, subdivision 12, as amended; 22, subdivision 5; Laws 2014, chapter 295, section 9; Laws 2015, chapter 76, section 2, subdivision 9; Laws 2015, First Special Session chapter 5, article 1, sections 8, subdivisions 2, 3; 10, subdivision 3, as amended; Laws 2016, chapter 186, section 2, subdivision 9; Laws 2017, chapter 96, section 2, subdivision 8; Laws 2017, First Special Session chapter 3, article 1, section 2, subdivisions 2, 3; Laws 2017, First Special Session chapter 4, article 2, sections 1; 3; 9; 58; Laws 2017, First Special Session chapter 8, article 1, sections 6, subdivision 6; 15, subdivisions 3, 11, 13; 16, subdivision 7; 17, subdivision 9; 19, subdivision 3; 20, subdivisions 9, 21; 21, subdivision 8; 23, subdivision 3; 27; proposing coding for new law in Minnesota Statutes, chapters 3; 15B; 16A; 115; 245G; 446A; 474A; repealing Minnesota Statutes 2017 Supplement, section 3.98, subdivision 4; Laws 2017, First Special Session chapter 4, article 2, section 59.

The bill was read for the third time, as amended by the Senate, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called. There were 113 yeas and 17 nays as follows:

Those who voted in the affirmative were:

Albright	Dauids	Hausman	Liebling	Nornes	Schomacker
Allen	Davnie	Heintzeman	Lien	O'Driscoll	Schultz
Anderson, P.	Dean, M.	Hertaus	Lillie	Olson	Scott
Anderson, S.	Dettmer	Hilstrom	Loeffler	Omar	Slocum
Anselmo	Ecklund	Hoppe	Lohmer	Pelowski	Smith
Applebaum	Erickson	Hortman	Loon	Peppin	Sundin
Backer	Fabian	Howe	Loonan	Petersburg	Swedzinski
Baker	Fenton	Jessup	Lueck	Peterson	Theis
Barr, R.	Fischer	Johnson, B.	Marquart	Pierson	Torkelson
Bennett	Flanagan	Johnson, C.	Masin	Poppe	Uglen
Bernardy	Franke	Jurgens	Maye Quade	Poston	Urdahl
Bliss	Freiberg	Kiel	Metsa	Pryor	Vogel
Bly	Garofalo	Knoblach	Miller	Pugh	Ward
Carlson, A.	Grossell	Koegel	Murphy, E.	Quam	West
Carlson, L.	Gruenhagen	Koznick	Murphy, M.	Rarick	Whelan
Christensen	Gunther	Kresha	Nash	Rosenthal	Wills
Clark	Haley	Kunesh-Podein	Nelson	Runbeck	Zerwas
Considine	Halverson	Layman	Neu	Sandstede	Spk. Daudt
Daniels	Hamilton	Lee	Newberger	Sauke	

Those who voted in the negative were:

Bahr, C.	Green	Lesch	Mariani	Munson	Wagenius
Dehn, R.	Hansen	Lucero	McDonald	O'Neill	Youakim
Drazkowski	Hornstein	Mahoney	Moran	Pinto	

The bill was repassed, as amended by the Senate, and its title agreed to.

Mr. Speaker:

I hereby announce that the Senate has concurred in and adopted the report of the Conference Committee on:

S. F. No. 799.

The Senate has repassed said bill in accordance with the recommendation and report of the Conference Committee. Said Senate File is herewith transmitted to the House.

CAL R. LUDEMAN, Secretary of the Senate

CONFERENCE COMMITTEE REPORT ON S. F. No. 799

A bill for an act relating to state government; modifying provisions for certain interagency agreements and intra-agency transfers; amending Minnesota Statutes 2016, sections 62V.05, subdivision 12; 144.05, subdivision 6; 256.01, subdivision 41.

May 20, 2018

The Honorable Michelle L. Fischbach
President of the Senate

The Honorable Kurt L. Daudt
Speaker of the House of Representatives

We, the undersigned conferees for S. F. No. 799 report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendments and that S. F. No. 799 be further amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. **COMMISSIONER OF HUMAN SERVICES**

Subdivision 1. **Total Appropriation**

\$-0-

\$32,145,000

The amounts that may be spent for each purpose are specified in the following subdivisions.

Subd. 2. Central Office; Operations**-0-****6,549,000**

(a) **Advisory Council on Rare Diseases.** \$150,000 in fiscal year 2019 is for transfer to the Board of Regents of the University of Minnesota for the advisory council on rare diseases under Minnesota Statutes, section 137.68.

(b) **Study and Report on Health Insurance Rate Disparities between Geographic Rating Areas.** \$251,000 in fiscal year 2019 is for transfer to the Legislative Coordinating Commission for the Office of the Legislative Auditor to study and report on disparities between geographic rating areas in individual and small group market health insurance rates. This is a onetime appropriation and a onetime transfer.

(c) **Substance Abuse Recovery Services Provided through Minnesota Recovery Corps.** \$309,000 in fiscal year 2019 is for transfer to ServeMinnesota under Minnesota Statutes, section 124D.37, to provide evidenced-based substance abuse recovery services through Minnesota Recovery Corps. Funds shall be used to support training, supervision, and deployment of AmeriCorps members to serve as recovery navigators. The Minnesota Commission on National and Community Service shall include in the commission's report to the legislature under Minnesota Statutes, section 124D.385, subdivision 3, an evaluation of program data to determine the efficacy of the services in promoting sustained substance abuse recovery, including but not limited to stable housing, relationship-building, employment skills, or a year of AmeriCorps service. This is a onetime appropriation and a onetime transfer.

(d) **Base Level Adjustment.** The general fund base is increased by \$6,993,000 in fiscal year 2020 and increased by \$6,936,000 in fiscal year 2021.

Subd. 3. Central Office; Children and Families**-0-****84,000**

Task Force on Childhood Trauma-Informed Policy and Practices. \$84,000 in fiscal year 2019 is for the task force on childhood trauma-informed policy and practices. This is a onetime appropriation.

Subd. 4. Central Office; Health Care**-0-****1,058,000**

Base Level Adjustment. The general fund base is increased by \$1,574,000 in fiscal year 2020 and increased by \$1,580,000 in fiscal year 2021.

Subd. 5. Central Office; Continuing Care for Older Adults**-0-****2,353,000**

(a) **Regional Ombudsmen.** \$1,283,000 in fiscal year 2019 is for nine additional regional ombudsmen and one policy lead in the Office of Ombudsman for Long-Term Care, to perform the duties in Minnesota Statutes, section 256.9742. The base for this appropriation is \$1,459,000 in fiscal year 2020 and \$1,459,000 in fiscal year 2021.

(b) **Base Level Adjustment.** The general fund base is increased by \$2,149,000 in fiscal year 2020 and increased by \$2,149,000 in fiscal year 2021.

Subd. 6. Central Office; Community Supports**-0-****4,072,000**

Base Level Adjustment. The general fund base is increased by \$4,012,000 in fiscal year 2020 and increased by \$4,012,000 in fiscal year 2021.

Subd. 7. Forecasted Programs; Medical Assistance**-0-****28,082,000****Subd. 8. Forecasted Programs; Alternative Care****-0-****(28,000)****Subd. 9. Forecasted Programs; Chemical Dependency Treatment Fund****-0-****(12,153,000)****Subd. 10. Grant Programs; Children's Services Grants****-0-****365,000**

American Indian Child Welfare Initiative. \$365,000 in fiscal year 2019 is for planning efforts to expand the American Indian Child Welfare Initiative authorized under Minnesota Statutes, section 256.01, subdivision 14b. Of this appropriation, \$240,000 is for a grant to the Mille Lacs Band of Ojibwe and \$125,000 is for a grant to the Red Lake Nation. This is a onetime appropriation.

Subd. 11. Grant Programs; Child and Economic Support Grants**-0-****517,000**

(a) **Community Action Grants.** \$200,000 in fiscal year 2019 is for community action grants under Minnesota Statutes, sections 256E.30 to 256E.32. The base for this appropriation is \$150,000 in fiscal year 2020 and \$150,000 in fiscal year 2021.

(b) **Mobile food shelf grants.** (1) \$117,000 in fiscal year 2019 is for mobile food shelf grants under Minnesota Statutes, section 256E.34. The base for this appropriation is \$115,000 in fiscal year 2020 and \$115,000 in fiscal year 2021.

(c) **Project Legacy.** \$200,000 in fiscal year 2019 is for a grant to Project Legacy to provide counseling and outreach to youth and young adults from families with a history of generational poverty. This appropriation must be used for mental health care, medical care, chemical dependency interventions, housing, and mentoring and counseling services for first generation college students. This is a onetime appropriation.

(d) **Base Level Adjustment.** The general fund base is increased by \$265,000 in fiscal year 2020 and increased by \$265,000 in fiscal year 2021.

Subd. 12. **Grant Programs; Aging and Adult Services Grants**

-0-

-0-

Live Well At Home Grants. Of the fiscal year 2019 general fund appropriation in Laws 2017, First Special Session chapter 6, article 18, section 2, subdivision 27: (1) \$50,000 shall be used to provide a live well at home grant under Minnesota Statutes, section 256B.0917, to an organization that provides block nurse services to the elderly in the city of McGregor; and (2) \$120,000 shall be used to provide a live well at home grant under Minnesota Statutes, section 256B.0917, to an organization that provides block nurse services to the elderly in the city of Grove City.

Subd. 13. **Grant Programs; Chemical Dependency Treatment Support Grants**

-0-

1,246,000

(a) **Student Health Initiative to Limit Opioid Harm.** \$195,000 in fiscal year 2019 is for the student health initiative to limit opioid harm. This is a onetime appropriation.

(b) **Opioid Epidemic Response Grants.** \$1,051,000 is for opioid epidemic response grants under Minnesota Statutes, section 256.043. The base for this appropriation is \$1,000,000 in fiscal year 2020 and \$1,000,000 in fiscal year 2021. The commissioner shall transfer \$1,051,000 in fiscal year 2019 from the general fund to the opioid epidemic response account under Minnesota Statutes, section 256.043. The base for this transfer is \$1,000,000 in fiscal year 2020 and \$1,000,000 in fiscal year 2021.

(c) **Base Level Adjustment.** The general fund base is increased by \$1,000,000 in fiscal year 2020 and increased by \$1,000,000 in fiscal year 2021.

EFFECTIVE DATE. This section is effective July 1, 2018, and replaces article 45, section 2, in S. F. No. 3656 if enacted.

Sec. 2. **COMMISSIONER OF HEALTH**Subdivision 1. **Total Appropriation****\$-0-****\$7,069,000**Appropriations by Fund

	<u>2018</u>	<u>2019</u>
<u>General</u>	<u>-0-</u>	<u>7,044,000</u>
<u>State Government Special</u>		
<u>Revenue</u>	<u>-0-</u>	<u>25,000</u>

The amounts that may be spent for each purpose are specified in the following subdivisions.

Subd. 2. **Health Improvement****-0-****4,554,000**

(a) **Minnesota Biomedicine and Bioethics Innovation Grants.** \$500,000 in fiscal year 2019 is for transfer to the Board of Regents of the University of Minnesota for Minnesota biomedicine and bioethics innovation grants under Minnesota Statutes, section 137.67.

(b) **Mental Health and Substance Use Disorder Parity Work Group.** \$75,000 in fiscal year 2019 is for transfer to the commissioner of commerce for the mental health and substance use disorder parity work group. This is a onetime appropriation and a onetime transfer.

(c) **The TAP Program.** Notwithstanding Minnesota Statutes, section 16B.97, \$10,000 in fiscal year 2019 is for a grant to the TAP in St. Paul to support mental health in disability communities through spoken art forms, community supports, and community engagement. The commissioner may use only up to 3.5 percent of this appropriation for administrative costs.

(d) **Opioid Overdose Reduction Pilot Program.** \$1,000,000 in fiscal year 2019 is for the opioid overdose reduction pilot program. This is a onetime appropriation and is available until June 30, 2021. The commissioner may use only up to 3.5 percent of this appropriation for administrative costs.

(e) **Reduction of Statewide Health Improvement Program Appropriation.** The appropriation in Laws 2017, First Special Session chapter 6, article 18, section 3, subdivision 2, from the health care access fund for the statewide health improvement program under Minnesota Statutes, section 145.986, is reduced by \$291,000 in fiscal year 2019. The base for this reduction is \$1,550,000 in fiscal year 2020, and \$2,955,000 in fiscal year 2021.

(f) **Statewide Tobacco Cessation Services.** \$291,000 in fiscal year 2019 is appropriated from the health care access fund for statewide tobacco cessation services under Minnesota Statutes, section 144.397. The base for this appropriation is \$1,550,000 in fiscal year 2020, and \$2,955,000 in fiscal year 2021.

(g) **Additional Funding for Opioid Prevention Pilot Projects.** \$2,000,000 in fiscal year 2019 is for opioid abuse prevention pilot projects under Laws 2017, First Special Session chapter 6, article 10, section 144. Of this amount, \$1,400,000 is for the opioid abuse prevention pilot project through CHI St. Gabriel's Health Family Medical Center, also known as Unity Family Health Care. \$600,000 is for Project Echo through CHI St. Gabriel's Health Family Medical Center for e-learning sessions centered around opioid case management and best practices for opioid abuse prevention. The commissioner may use only up to 3.5 percent of this appropriation for administrative costs.

(h) **Suicide Prevention Grants.** \$969,000 in fiscal year 2019 is for suicide prevention grants under Minnesota Statutes, section 145.56, subdivision 2, clause (7). This is a onetime appropriation.

(i) **Base Level Adjustments.** The general fund base is increased by \$500,000 in fiscal year 2020 and increased by \$500,000 in fiscal year 2021.

Subd. 3. **Health Protection**

Appropriations by Fund

General	-0-	2,490,000
State Government Special		
Revenue	-0-	25,000

(a) **Regulation of Low-Dose X-Ray Security Screening Systems.** \$29,000 in fiscal year 2019 is from the state government special revenue fund for rulemaking under Minnesota Statutes, section 144.121. The base for this appropriation is \$21,000 in fiscal year 2020 and \$21,000 in fiscal year 2021.

(b) **Assisted Living Report Card Working Group.** \$27,000 in fiscal year 2019 is from the general fund for the assisted living report card working group. This is a onetime appropriation.

(c) **Assisted Living Licensure and Dementia Care Task Force.** \$60,000 in fiscal year 2019 is from the general fund for the Assisted Living Licensure and Dementia Care Task Force. This is a onetime appropriation.

(d) **Safety and Quality Improvement Practices Report.** \$33,000 in fiscal year 2019 is from the general fund for the safety and quality improvement practices report.

(e) **Technology Upgrades.** \$1,755,000 in fiscal year 2019 is from the general fund for Web site improvements and data analytics at the Office of Health Facility Complaints. The general fund base for this appropriation is \$971,000 in fiscal year 2020 and \$853,000 in fiscal year 2021.

(f) **Base Level Adjustment.** The general fund base is increased by \$1,420,000 in fiscal year 2020 and increased by \$1,289,000 in fiscal year 2021. The state government special revenue fund base is increased by \$17,000 in fiscal year 2020 and increased by \$17,000 in fiscal year 2021.

EFFECTIVE DATE. This section is effective July 1, 2018, and replaces article 45, section 3, in S. F. No. 3656 if enacted.

Sec. 3. **[256.042] OPIOID EPIDEMIC RESPONSE ADVISORY COUNCIL.**

Subdivision 1. **Establishment of the advisory council.** (a) The Opioid Epidemic Response Advisory Council is established to develop and implement a comprehensive and effective statewide effort to address the opioid addiction and overdose epidemic in Minnesota. The council shall focus on:

(1) prevention and education, including public education and awareness for adults and youth, prescriber education, the development and sustainability of opioid overdose prevention and education programs, and providing financial support to local law enforcement agencies for opiate antagonist programs;

(2) treatment, including statewide access to effective treatment and recovery services that is aligned with Minnesota's model of care approach to promoting access to treatment and recovery services. This includes ensuring that individuals throughout the state have access to treatment and recovery services, including care coordination services; peer recovery services; medication-assisted treatment and office-based opioid treatment; integrative and multidisciplinary therapies; and culturally specific services; and

(3) innovation and capacity building, including development of evidence-based practices, using research and evaluation to understand which policies and programs promote efficient and effective prevention, treatment, and recovery results. This also includes ensuring that there are qualified providers and a comprehensive set of treatment and recovery services throughout the state.

(b) The council shall:

(1) review local, state, and federal initiatives and funding related to prevention and education, treatment, and services for individuals and families experiencing and affected by opioid abuse, and promoting innovation and capacity building to address the opioid addiction and overdose epidemic;

(2) establish priorities to address the state's opioid addiction and overdose epidemic for the purpose of allocating funds and consult with the commissioner of management and budget to determine whether proposals are for evidence-based practices, promising practices, or theory-based practices;

(3) ensure that available funding under this section is allocated to align with existing state and federal funding to achieve the greatest impact and ensure a coordinated state effort to address the opioid addiction and overdose epidemic;

(4) develop criteria and procedures to be used in awarding grants and allocating available funds from the opioid epidemic response account and select proposals to receive grant funding. The council is encouraged to select proposals that are promising practices or theory-based practices, in addition to evidence-based practices, to help identify new approaches to effective prevention, treatment, and recovery; and

(5) in consultation with the commissioner of management and budget, and within available appropriations, select from the awarded grants projects that include promising practices or theory-based activities for which the commissioner of management and budget shall conduct evaluations using experimental or quasi-experimental design. Grants awarded to proposals that include promising practices or theory-based activities and that are selected for an evaluation shall be administered to support the experimental or quasi-experimental evaluation and require grantees to collect and report information that is needed to complete the evaluation. The commissioner of management and budget, under section 15.08, may obtain additional relevant data to support the experimental or quasi-experimental evaluation studies.

Subd. 2. **Membership.** (a) The council shall consist of 18 members appointed by the commissioner of human services, except as otherwise specified:

(1) two members of the house of representatives, one from the majority party appointed by the speaker of the house and one from the minority party appointed by the minority leader;

(2) two members of the senate, one from the majority party appointed by the senate majority leader and one from the minority party appointed by the senate minority leader;

(3) one member appointed by the Board of Pharmacy;

(4) one member who is a physician appointed by the Minnesota chapter of the American College of Emergency Physicians;

(5) one member representing opioid treatment programs or sober living programs;

(6) one member who is a physician appointed by the Minnesota Hospital Association;

(7) one member who is a physician appointed by the Minnesota Society of Addiction Medicine;

(8) one member who is a pain psychologist;

(9) one member appointed by the Steve Rummeler Hope Network;

(10) one member appointed by the Minnesota Ambulance Association;

(11) one member representing the Minnesota courts who is a judge or law enforcement officer;

(12) one public member who is a Minnesota resident and who has been impacted by the opioid epidemic;

(13) one member representing a manufacturer of opiates;

(14) one member representing an Indian tribe;

(15) the commissioner of human services or designee; and

(16) the commissioner of health or designee.

(b) The commissioner of human services shall coordinate appointments to provide geographic diversity and shall ensure that at least one-half of council members reside outside of the seven-county metropolitan area.

(c) The council is governed by section 15.059, except that members of the council shall receive no compensation other than reimbursement for expenses. Notwithstanding section 15.059, subdivision 6, the council shall not expire.

(d) The chair shall convene the council at least quarterly, and may convene other meetings as necessary. The chair shall convene meetings at different locations in the state to provide geographic access, and shall ensure that at least one-half of the meetings are held at locations outside of the seven-county metropolitan area.

(e) The commissioner of human services shall provide staff and administrative services for the advisory council.

(f) The council is subject to chapter 13D.

Subd. 3. **Conflict of interest.** Advisory council members must disclose to the council and recuse themselves from voting on any matter before the council if the member has a conflict of interest. A conflict of interest means a financial association that has the potential to bias or have the appearance of biasing a council member's decision related to the opioid epidemic response grant decision process or other council activities under this section.

Subd. 4. **Grants.** (a) The commissioner of human services shall submit a report of the grants proposed by the advisory council to be awarded for the upcoming fiscal year to the chairs and ranking minority members of the legislative committees with jurisdiction over health and human services policy and finance, by March 1 of each year, beginning March 1, 2019.

(b) The commissioner of human services shall award grants from the opioid epidemic response account under section 256.043. The grants shall be awarded to proposals selected by the advisory council that address the priorities in paragraph (a), clauses (1) to (3), unless otherwise appropriated by the legislature. No more than three percent of the grant amount may be used by a grantee for administration.

Subd. 5. **Reports.** (a) The advisory council shall report annually to the chairs and ranking minority members of the legislative committees with jurisdiction over health and human services policy and finance by January 1 of each year beginning January 1, 2021, information about the individual projects that receive grants and the overall role of the project in addressing the opioid addiction and overdose epidemic in Minnesota. The report must describe the grantees and the activities implemented, along with measurable outcomes as determined by the council in consultation with the commissioner of human services and the commissioner of management and budget.

(b) The commissioner of management and budget, in consultation with the Opioid Epidemic Response Council, shall report to the chairs and ranking minority members of the legislative committees with jurisdiction over health and human services policy and finance when an evaluation study described in subdivision 1, paragraph (b), clause (5), is complete on the promising practices or theory-based projects that are selected for evaluation activities. The report shall include demographic information; outcome information for the individuals in the program; the results for the program in promoting recovery, employment, family reunification, and reducing involvement with the criminal justice system; and other relevant outcomes determined by the commissioner of management and budget that are specific to the projects that are evaluated. The report shall include information about the ability of grant programs to be scaled to achieve statewide the results that the grant project demonstrated.

Sec. 4. **[256.043] OPIATE EPIDEMIC RESPONSE ACCOUNT.**

Subdivision 1. Establishment. The opiate epidemic response account is established in the special revenue fund in the state treasury.

Subd. 2. Use of account funds. (a) Beginning in fiscal year 2019, money in the account shall be appropriated each fiscal year as specified in this subdivision.

(b) \$213,000 is appropriated to the commissioner of management and budget for evaluation activities for selected projects.

(c) \$384,000 is appropriated to the commissioner of public safety for Bureau of Criminal Apprehension drug scientists and lab supplies.

(d) \$56,000 is appropriated to the commissioner of human services for the provision of administrative services to the Opioid Epidemic Response Advisory Council.

(e) Money remaining in the opioid epidemic response account after making the appropriations required in paragraphs (b) through (d) is appropriated to the commissioner of human services to be allocated as grants as specified by the opioid epidemic response advisory council in accordance with section 256.042, unless otherwise appropriated by the legislature.

EFFECTIVE DATE. This section is effective July 1, 2018, and replaces article 38, section 10, in S. F. No. 3656 if enacted.

Sec. 5. Minnesota Statutes 2016, section 256B.0625, subdivision 13e, is amended to read:

Subd. 13e. **Payment rates.** (a) Effective January 1, 2019, or upon federal approval, whichever is later, the basis for determining the amount of payment shall be the lower of the actual acquisition cost of the drugs or the maximum allowable cost by the commissioner plus the fixed professional dispensing fee; or the usual and customary price charged to the public. The usual and customary price is defined as the lowest price charged by the provider to a patient who pays for the prescription by cash, check, or charge account and includes those prices the pharmacy charges to customers enrolled in a prescription savings club or prescription discount club administered by the pharmacy or pharmacy chain. The amount of payment basis must be reduced to reflect all discount amounts applied to the charge by any third-party provider/insurer agreement or contract for submitted charges to medical assistance programs. The net submitted charge may not be greater than the patient liability for the service. The pharmacy professional dispensing fee shall be \$3.65 \$10.48 for legend prescription drugs prescriptions filled with legend drugs meeting the definition of "covered outpatient drugs" according to United States Code, title 42, section 1396r-8, paragraph (k), clause (2), except that the dispensing fee for intravenous solutions which must be compounded by the pharmacist shall be \$8 \$10.48 per bag, \$14 per bag for cancer chemotherapy products, and \$30 per bag for total parenteral nutritional products dispensed in one liter quantities, or \$44 per bag for total parenteral nutritional products dispensed in quantities greater than one liter. The professional dispensing fee for prescriptions filled with over-the-counter drugs meeting the definition of covered outpatient drugs shall be \$10.48 for dispensed quantities equal to or greater than the number of units contained in the manufacturer's original package. The professional dispensing fee shall be prorated based on the percentage of the package dispensed when the pharmacy dispenses a quantity less than the number of units contained in the manufacturer's original package. The pharmacy dispensing fee for prescribed over-the-counter drugs not meeting the definition of covered outpatient drugs shall be \$3.65, except that the fee shall be \$1.31 for retrospectively billing pharmacies when billing for quantities less than the number of units contained in the manufacturer's original package. Actual acquisition cost includes quantity and other special discounts except time and cash discounts. The actual acquisition cost of a drug shall be estimated by the commissioner at wholesale acquisition cost plus four percent for independently owned pharmacies located in a

designated rural area within Minnesota, and at wholesale acquisition cost plus two percent for all other pharmacies. A pharmacy is "independently owned" if it is one of four or fewer pharmacies under the same ownership nationally. A "designated rural area" means an area defined as a small rural area or isolated rural area according to the four category classification of the Rural Urban Commuting Area system developed for the United States Health Resources and Services Administration. Effective January 1, 2014, the actual acquisition for quantities equal to or greater than the number of units contained in the manufacturer's original package and shall be prorated based on the percentage of the package dispensed when the pharmacy dispenses a quantity less than the number of units contained in the manufacturer's original package. The National Average Drug Acquisition Cost (NADAC) shall be used to determine the ingredient cost of a drug. For drugs for which a NADAC is not reported, the commissioner shall estimate the ingredient cost at wholesale acquisition cost minus two percent. The commissioner shall establish the ingredient cost of a drug acquired through the federal 340B Drug Pricing Program shall be estimated by the commissioner at wholesale acquisition cost minus 40 percent at a 340B Drug Pricing Program maximum allowable cost. The 340B Drug Pricing Program maximum allowable cost shall be comparable to, but no higher than, the 340B Drug Pricing Program ceiling price established by the Health Resources and Services Administration. Wholesale acquisition cost is defined as the manufacturer's list price for a drug or biological to wholesalers or direct purchasers in the United States, not including prompt pay or other discounts, rebates, or reductions in price, for the most recent month for which information is available, as reported in wholesale price guides or other publications of drug or biological pricing data. The maximum allowable cost of a multisource drug may be set by the commissioner and it shall be comparable to, but the actual acquisition cost of the drug product and no higher than, the maximum amount paid by other third-party payors in this state who have maximum allowable cost programs and no higher than the NADAC of the generic product. Establishment of the amount of payment for drugs shall not be subject to the requirements of the Administrative Procedure Act.

(b) Pharmacies dispensing prescriptions to residents of long-term care facilities using an automated drug distribution system meeting the requirements of section 151.58, or a packaging system meeting the packaging standards set forth in Minnesota Rules, part 6800.2700, that govern the return of unused drugs to the pharmacy for reuse, may employ retrospective billing for prescription drugs dispensed to long-term care facility residents. A retrospectively billing pharmacy must submit a claim only for the quantity of medication used by the enrolled recipient during the defined billing period. A retrospectively billing pharmacy must use a billing period not less than one calendar month or 30 days.

(c) ~~An additional dispensing fee of \$.30 may be added to the dispensing fee paid to pharmacists for legend drug prescriptions dispensed to residents of long term care facilities when a unit dose blister card system, approved by the department, is used. Under this type of dispensing system, the pharmacist must dispense a 30 day supply of drug. The National Drug Code (NDC) from the drug container used to fill the blister card must be identified on the claim to the department. The unit dose blister card containing the drug must meet the packaging standards set forth in Minnesota Rules, part 6800.2700, that govern the return of unused drugs to the pharmacy for reuse.~~ A pharmacy provider using packaging that meets the standards set forth in Minnesota Rules, part 6800.2700, is required to credit the department for the actual acquisition cost of all unused drugs that are eligible for reuse, unless the pharmacy is using retrospective billing. The commissioner may permit the drug clozapine to be dispensed in a quantity that is less than a 30-day supply.

(d) ~~Whenever a maximum allowable cost has been set for~~ If a pharmacy dispenses a multisource drug, payment shall be the lower of the usual and customary price charged to the public or the ingredient cost shall be the NADAC of the generic product or the maximum allowable cost established by the commissioner unless prior authorization for the brand name product has been granted according to the criteria established by the Drug Formulary Committee as required by subdivision 13f, paragraph (a), and the prescriber has indicated "dispense as written" on the prescription in a manner consistent with section 151.21, subdivision 2.

(e) The basis for determining the amount of payment for drugs administered in an outpatient setting shall be the lower of the usual and customary cost submitted by the provider, 106 percent of the average sales price as determined by the United States Department of Health and Human Services pursuant to title XVIII, section 1847a of

the federal Social Security Act, the specialty pharmacy rate, or the maximum allowable cost set by the commissioner. If average sales price is unavailable, the amount of payment must be lower of the usual and customary cost submitted by the provider, the wholesale acquisition cost, the specialty pharmacy rate, or the maximum allowable cost set by the commissioner. Effective January 1, ~~2014~~ 2019, or upon federal approval, whichever is later, the commissioner shall discount the payment rate for drugs obtained through the federal 340B Drug Pricing Program by ~~20~~ 28.6 percent. The payment for drugs administered in an outpatient setting shall be made to the administering facility or practitioner. A retail or specialty pharmacy dispensing a drug for administration in an outpatient setting is not eligible for direct reimbursement.

(f) The commissioner may ~~negotiate lower reimbursement rates~~ establish maximum allowable cost rates for specialty pharmacy products ~~than the rates that are lower than the ingredient cost formulas~~ specified in paragraph (a). The commissioner may require individuals enrolled in the health care programs administered by the department to obtain specialty pharmacy products from providers ~~with whom the commissioner has negotiated lower reimbursement rates~~ able to provide enhanced clinical services and willing to accept the specialty pharmacy reimbursement. Specialty pharmacy products are defined as those used by a small number of recipients or recipients with complex and chronic diseases that require expensive and challenging drug regimens. Examples of these conditions include, but are not limited to: multiple sclerosis, HIV/AIDS, transplantation, hepatitis C, growth hormone deficiency, Crohn's Disease, rheumatoid arthritis, and certain forms of cancer. Specialty pharmaceutical products include injectable and infusion therapies, biotechnology drugs, antihemophilic factor products, high-cost therapies, and therapies that require complex care. The commissioner shall consult with the formulary committee to develop a list of specialty pharmacy products subject to ~~this paragraph~~ maximum allowable cost reimbursement. In consulting with the formulary committee in developing this list, the commissioner shall take into consideration the population served by specialty pharmacy products, the current delivery system and standard of care in the state, and access to care issues. The commissioner shall have the discretion to adjust the ~~reimbursement rate~~ maximum allowable cost to prevent access to care issues.

(g) Home infusion therapy services provided by home infusion therapy pharmacies must be paid at rates according to subdivision 8d.

(h) Subject to federal approval, effective for prescriptions filled on or after January 1, 2019, the commissioner shall increase the ingredient cost reimbursement calculated in paragraphs (a) and (f) by two percent for prescription and nonprescription drugs subject to the wholesale drug distributor tax under section 295.52.

EFFECTIVE DATE. This section is effective July 1, 2018, and replaces article 34, section 10, in S. F. No. 3656 if enacted.

Sec. 6. **STATE LOTTERY.**

The amendments to Minnesota Statutes 2016, section 349A.06, subdivision 11, by 2018 S. F. No. 3656, article 2, section 18, if enacted, are repealed retroactively to the day of final enactment.

Sec. 7. **INSURANCE RISK.**

The amendments to Minnesota Statutes 2016, section 62V.05, subdivision 10, by 2018 S. F. No. 3656, article 43, section 2, if enacted, are repealed retroactively to the day of final enactment.

Sec. 8. **EFFECTIVE DATE.**

This act is effective only if 2018 S. F. No. 3656 is enacted."

Amend the title accordingly

We request the adoption of this report and repassage of the bill.

Senate Conferees: MICHELLE R. BENSON, JIM ABELER, KARIN HOUSLEY and PAUL UTKE.

House Conferees: MATT DEAN, JOE SCHOMACKER, TONY ALBRIGHT and DEBRA KIEL.

Dean, M., moved that the report of the Conference Committee on S. F. No. 799 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

S. F. No. 799, A bill for an act relating to state government; modifying provisions for certain interagency agreements and intra-agency transfers; amending Minnesota Statutes 2016, sections 62V.05, subdivision 12; 144.05, subdivision 6; 256.01, subdivision 41.

The bill was read for the third time, as amended by Conference, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called. There were 84 yeas and 46 nays as follows:

Those who voted in the affirmative were:

Albright	Dean, M.	Haley	Layman	Nornes	Schomacker
Anderson, P.	Dettmer	Hamilton	Loeffler	O'Driscoll	Scott
Anderson, S.	Drazkowski	Heintzeman	Lohmer	O'Neill	Smith
Anselmo	Ecklund	Hertaus	Loon	Pelowski	Swedzinski
Backer	Erickson	Hoppe	Loonan	Peppin	Theis
Bahr, C.	Fabian	Howe	Lueck	Petersburg	Torkelson
Baker	Fenton	Jessup	Marquart	Peterson	Uglen
Barr, R.	Franke	Johnson, B.	McDonald	Pierson	Urdahl
Bennett	Franson	Jurgens	Metsa	Poppe	Vogel
Bliss	Garofalo	Kiel	Miller	Poston	West
Bly	Green	Knoblach	Munson	Pugh	Whelan
Christensen	Grossell	Koegel	Nash	Quam	Wills
Daniels	Gruenhagen	Koznick	Neu	Rarick	Zerwas
Davids	Gunther	Kresha	Newberger	Runbeck	Spk. Daudt

Those who voted in the negative were:

Allen	Dehn, R.	Hornstein	Lucero	Nelson	Schultz
Applebaum	Fischer	Hortman	Mahoney	Olson	Slocum
Bernardy	Flanagan	Johnson, C.	Mariani	Omar	Sundin
Carlson, A.	Freiberg	Kunesh-Podein	Masin	Pinto	Wagenius
Carlson, L.	Halverson	Lee	Maye Quade	Pryor	Ward
Clark	Hansen	Lesch	Moran	Rosenthal	Youakim
Considine	Hausman	Liebling	Murphy, E.	Sandstede	
Davnie	Hilstrom	Lillie	Murphy, M.	Sauke	

The bill was repassed, as amended by Conference, and its title agreed to.

CALENDAR FOR THE DAY

S. F. No. 2620, A bill for an act relating to retirement; benefit and contribution changes for Minnesota statewide and major local public employee retirement plans; increasing contribution rates; reducing certain postretirement adjustment rates; modifying investment return assumptions; extending amortization target dates; reducing deferred annuities augmentation; requiring a study on postretirement adjustments; making administrative changes to the Minnesota State Retirement System, Teachers Retirement Association, Public Employees Retirement Association, and St. Paul Teachers Retirement Fund Association; clarifying refund repayment procedures; modifying executive director credentials; clarifying service requirements; revising appeal procedures; modifying service credit purchase procedures; establishing new procedures for disability applications due to private disability insurance requirements; clarifying disability benefit payment provisions; modifying annual benefit limitations for federal tax code compliance; authorizing use of IRS correction procedures; clarifying benefit offsets for certain refund payments; clarifying police and fire plan coverage for certain Hennepin Healthcare System supervisors; modifying various economic actuarial assumptions; authorizing the transfer of assets and members from the voluntary statewide volunteer firefighter retirement plan to a volunteer firefighter relief association; adopting recommendations of the Volunteer Firefighter Relief Association working group; increasing the lump-sum service pension maximum and lowering certain vesting requirements for the Eden Prairie Volunteer Firefighters Relief Association; modifying the Brook Park volunteer firefighters service pension level; permitting alternative allocation of fire state aid for the city of Austin; establishing a fire state aid work group; extending a reporting deadline for the Clearbrook Fire Department Relief Association; clarifying a 1992 session law for the Swift County-Benson Hospital; modifying various Department of Human Services and Department of Corrections employment classifications eligible for correctional retirement coverage; revising augmentation interest rates for certain terminated privatized employees; adopting definition of the Hometown Heroes Act related to public safety officer death benefits; modifying defined contribution plans to allow certain distributions; allowing service credit purchase and rule of 90 eligibility for certain Minnesota Department of Transportation employees; expanding investment authority for the Hennepin County Supplemental Retirement Plan; authorizing certain MnSCU employees to elect retroactive and prospective TRA coverage; authorizing a MnSCU employee to transfer past service from IRAP to PERA; increasing maximum employer contribution to a supplemental laborers pension fund; exempting certain laborers groups from coverage; authorizing certain additional sources of retirement plan funding; making technical and conforming changes; authorizing direct state aid to the public employees police and fire retirement plan and the St. Paul Teachers Retirement Fund Association; modifying pension adjustment revenue provisions; appropriating money; amending Minnesota Statutes 2016, sections 3A.02, subdivision 4; 3A.03, subdivisions 2, 3; 16A.14, subdivision 2a; 126C.10, subdivision 37; 352.01, subdivisions 2a, 13a; 352.017, subdivision 2; 352.03, subdivisions 5, 6; 352.04, subdivisions 2, 3, 8, 9; 352.113, subdivisions 2, 4, 14; 352.116, subdivision 1a; 352.22, subdivisions 2, 3, by adding subdivisions; 352.23; 352.27; 352.91, subdivisions 3f, 3g, by adding a subdivision; 352.92, subdivisions 1, 2, by adding a subdivision; 352.955, subdivision 3; 352B.013, subdivision 2; 352B.02, subdivisions 1a, 1c; 352B.08, by adding a subdivision; 352B.085; 352B.086; 352B.11, subdivision 4; 352D.02, subdivisions 1, 3; 352D.04, subdivision 2; 352D.05, subdivision 4; 352D.085, subdivision 1; 352D.11, subdivision 2; 352D.12; 352F.04, subdivisions 1, 2, by adding a subdivision; 353.01, subdivisions 2b, 10, 16, 43, 47; 353.012; 353.0162; 353.03, subdivision 3; 353.27, subdivisions 7a, 12, 12a, 12b; 353.28, subdivision 5; 353.29, subdivisions 4, 7; 353.30, subdivisions 3c, 5; 353.32, subdivisions 1, 4; 353.34, subdivisions 2, 3; 353.35, subdivision 1; 353.37, subdivision 1; 353.64, subdivision 10; 353.65, subdivisions 2, 3, by adding a subdivision; 353D.07; 353F.02, subdivision 5a; 353F.025, subdivision 2; 353F.04, subdivision 2; 353F.05; 353F.057; 353F.06; 353F.07; 353G.01, subdivision 9, by adding a subdivision; 353G.02, subdivision 6; 353G.03, subdivision 3; 353G.08, subdivision 3; 353G.11, subdivision 1; 354.05, subdivision 2, by adding a subdivision; 354.06, subdivisions 2, 2a; 354.095; 354.42, subdivisions 2, 3; 354.435, subdivision 4; 354.436, subdivision 3; 354.44, subdivisions 3, 6, 9; 354.45, by adding a subdivision; 354.46, subdivision 6; 354.48, subdivision 1; 354.49, subdivision 2; 354.50, subdivision 2; 354.51, subdivision 5; 354.512;

354.52, subdivisions 4, 4d; 354.53, subdivision 5; 354.55, subdivision 11; 354.66, subdivision 2; 354.72, subdivisions 1, 2; 354A.011, subdivisions 3a, 29; 354A.093, subdivisions 4, 6; 354A.095; 354A.096; 354A.12, subdivisions 1, 1a, 2a, 3a, 3c, 7; 354A.29, subdivision 7; 354A.31, subdivisions 3, 5, 6, 7; 354A.34; 354A.35, subdivision 2; 354A.36, subdivision 4; 354A.37, subdivisions 2, 3; 354A.38; 356.195, subdivision 2; 356.215, subdivisions 9, 11; 356.24, subdivision 1; 356.30, subdivision 1; 356.32, subdivision 2; 356.415, subdivisions 1, 1a, 1b, 1c, 1d, 1e, 1f, by adding a subdivision; 356.44; 356.47, subdivisions 1, 3; 356.50, subdivision 2; 356.551, subdivision 2; 356.635, subdivision 10, by adding subdivisions; 356.645; 356.96, subdivisions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13; 356A.06, subdivision 7; 383B.47; 383B.48; 383B.49; 383B.50; 423A.02, subdivisions 3, 5; 423A.022, subdivision 5; 424A.001, subdivisions 2, 3, 10, by adding a subdivision; 424A.002, subdivision 1; 424A.01, subdivisions 1, 5, 6, by adding subdivisions; 424A.015, subdivision 1, by adding a subdivision; 424A.016, subdivision 2; 424A.02, subdivisions 1, 3a, 7; 424A.04, subdivision 1; 424A.07; 424A.091, subdivision 3; 424A.094, subdivision 3; 424A.10, subdivision 1; 424B.20, subdivision 4; 490.121, subdivisions 4, 25, 26; 490.1211; 490.123, by adding a subdivision; 490.124, subdivision 12; Minnesota Statutes 2017 Supplement, sections 353.27, subdivision 3c; 356.215, subdivision 8; Laws 1992, chapter 534, section 10, subdivision 3; proposing coding for new law in Minnesota Statutes, chapters 353F; 353G; 356; 424A; repealing Minnesota Statutes 2016, sections 3A.12; 352.04, subdivision 11; 352.045; 352.72; 352B.30; 353.0161; 353.27, subdivision 3b; 353.34, subdivision 6; 353.71; 354.42, subdivisions 4a, 4b, 4c, 4d; 354.60; 354A.12, subdivision 2c; 354A.29, subdivisions 8, 9; 354A.39; 356.611, subdivisions 3, 3a, 4, 5; 356.96, subdivisions 14, 15; 424A.02, subdivision 13; Laws 2008, chapter 349, article 8, section 4.

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

The question was taken on the passage of the bill and the roll was called. There were 131 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Albright	Dean, M.	Hausman	Lien	Neu	Sauke
Allen	Dehn, R.	Heintzeman	Lillie	Newberger	Schomacker
Anderson, P.	Dettmer	Hertaus	Loeffler	Nornes	Schultz
Anderson, S.	Drazkowski	Hilstrom	Lohmer	O'Driscoll	Scott
Anselmo	Ecklund	Hoppe	Loon	Olson	Slocum
Applebaum	Erickson	Hornstein	Loonan	Omar	Smith
Backer	Fabian	Hortman	Lucero	O'Neill	Sundin
Bahr, C.	Fenton	Howe	Lueck	Pelowski	Swedzinski
Baker	Fischer	Jessup	Mahoney	Peppin	Theis
Barr, R.	Flanagan	Johnson, B.	Mariani	Petersburg	Torkelson
Bennett	Franke	Johnson, C.	Marquart	Peterson	Uglen
Bernardy	Franson	Jurgens	Masin	Pierson	Urdahl
Bliss	Freiberg	Kiel	Maye Quade	Pinto	Vogel
Bly	Garofalo	Knoblach	McDonald	Poppe	Wagenius
Carlson, A.	Green	Koegel	Metsa	Poston	Ward
Carlson, L.	Grossell	Koznick	Miller	Pryor	West
Christensen	Gruenhagen	Kresha	Moran	Pugh	Whelan
Clark	Gunther	Kunesh-Podein	Munson	Quam	Wills
Considine	Haley	Layman	Murphy, E.	Rarick	Youakim
Daniels	Halverson	Lee	Murphy, M.	Rosenthal	Zerwas
Davids	Hamilton	Lesch	Nash	Runbeck	Spk. Daudt
Davnie	Hansen	Liebling	Nelson	Sandstede	

The bill was passed and its title agreed to.

PROTEST AND DISSENT

We would like to respond officially on the House record to the Democrat authors of an inaccurate 'Protest and Dissent' letter which misrepresented our intent of a Facebook share. As the signers are fully aware, our sharing of a Facebook post was done to motivate people of all backgrounds, races, and political and religious beliefs to participate in our treasured political process. We are firm believers in stronger involvement among our electorate – not less – and we take offense to anyone who suggests otherwise.

Signed,

CINDY PUGH

KATHY LOHMER

PROTEST AND DISSENT

Response by me, Rep. Sondra Erickson, to a letter of Protest and Dissent pursuant to Article IV, Section 11 of the Minnesota Constitution submitted to the House Journal on May 3, 2018, by 38 members of the minority.

The protest and dissent was published in response to a statement I made on the floor of the Minnesota House of Representatives on April 26, 2018, during the presentation of an amendment to an amendment (H4328A66) for the E-12 Education Finance and Policy omnibus bill (HF4328).

First, I consider this use of the Constitution to be a violation of Section 11 in that my statement was not injurious to the public. Here is the statement: "Members, we could look at it this way, if they [contract schools] want to argue sovereignty, they do not *have to* take the money we give them [they have a choice]." There is no injury to the public because the Legislature does not force any institution, program, school, or any other entity to accept an appropriation; there is always a choice unless otherwise dictated in law.

Secondly, the minority member did not debate the substance of the amendment.

My goal as chair of the Education Innovation Policy Committee in the House is to provide opportunities both to close the opportunity gap and to reduce the achievement gap for all students. My amendment would ensure accountability and transparency of the additional funding that the governor wanted to provide for tribally-owned schools that have a contract with the State of Minnesota.

For reasons hard to understand, members of the minority turned their response to "sovereignty" instead of focusing on the substance of the amendment and how my policy suggestion would help students enrolled in our four state contract schools. Thus, my response.

As someone who has represented the Lake Mille Lacs area for a number of years, I respect the residents of all my communities and recognize the achievements of all children, including American Indians. Whenever I learn of their successes, I write congratulatory notes and letters to students enrolled in the Vineland schools, the contract school in District 15A.

I am a disciplined legislator who works hard and always proceeds with respect for all. I am saddened that some of my colleagues decided character assassination was necessary because that is what the letter of protest and dissent suggests when our code of conduct is cited.

I do not apologize for my statement and will continue during my public service to find ways to help all children enrolled in district, charter or contract schools in our state.

Signed,

SONDRA ERICKSON

JIM NEWBERGER

Peppin moved that the Chief Clerk be and he is hereby instructed to inform the Senate and the Governor by message that the House of Representatives is about to adjourn this 90th Session sine die. The motion prevailed.

ADJOURNMENT OF THE NINETIETH SESSION SINE DIE

Peppin moved that the House adjourn sine die. The motion prevailed, and the Speaker declared the House adjourned sine die.

PATRICK D. MURPHY, Chief Clerk, House of Representatives