State of Minnesota

HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 1

01/08/2015 Authored by Kresha, Baker, Fabian, Kiel, Theis and others
The bill was read for the first time and referred to the Committee on Greater Minnesota Economic and Workforce Development Policy

A bill for an act

relating to economic development; jobs creation; modifying permitting efficiency goals; rulemaking reform; allowing a subtraction for certain active business income of pass-through entities; increasing the rate of and providing for limited refundability of the research credit; adopting the Minnesota New Markets Jobs Act; providing capital for business growth in economically distressed communities; workforce housing; providing for a workforce housing grant program; providing for additions to taxable income; providing a credit for contributions to land trusts; promoting the creation of land trusts; providing a credit for new STEM and long-term care employees; depositing revenue from certain agency penalties in the general fund instead of dedicated funds; eliminating statutory appropriations of penalty revenue to agencies; creating a small business compliance assistance grant program; imposing penalties; appropriating money; amending Minnesota Statutes 2014, sections 3.842, subdivision 4a; 14.02, by adding a subdivision; 14.05, subdivision 1, by adding a subdivision; 14.116; 14.131; 14.19; 14.388, subdivision 2; 14.389, subdivision 2; 16A.1285, by adding a subdivision; 17.102, subdivisions 4, 4a; 17A.11; 18B.05; 18C.131; 18D.323; 18G.10, subdivision 2; 18H.17; 18J.09; 21.115; 21.92; 25.39, subdivision 4; 27.041, subdivision 3; 32.21, subdivision 4; 34.07; 62J.536, subdivision 2b; 84.027, subdivision 14a; 116.03, subdivision 2b; 116J.66; 169.685, subdivisions 5, 7; 169.871, subdivision 5; 169.999, subdivision 5; 174.30, subdivision 8; 174.315, subdivision 3; 221.036, subdivision 14; 221.84, subdivision 3; 239.785, subdivision 6; 290.01, subdivisions 19a, 19b, 19c; 290.068, subdivisions 1, 3, 6a; 290.091, subdivision 2; 297F.21, subdivision 3; 297G.20, subdivision 4; 341.321; proposing coding for new law in Minnesota Statutes, chapters 116J; 290; proposing coding for new law as Minnesota Statutes, chapter 116X; repealing Minnesota Statutes 2014, section 14.127.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

ARTICLE 1

ENVIRONMENTAL PERMITTING EFFICIENCY

Section 1. Minnesota Statutes 2014, section 84.027, subdivision 14a, is amended to read:

Subd. 14a. **Permitting efficiency.** (a) It is the goal of the state that environmental and resource management permits be issued or denied within ~~90~~ 45 days for Tier 1 permits or 150 days for Tier 2 permits following submission of a permit application. The commissioner of natural resources shall establish management systems designed to achieve the goal.

(b) The commissioner shall prepare an annual permitting efficiency report that includes statistics on meeting the goal in paragraph (a) and the criteria for Tier 1 and Tier 2 by permit categories. The report is due August 1 each year. For permit applications that have not met the goal, the report must state the reasons for not meeting the goal. In stating the reasons for not meeting the goal, the commissioner shall separately identify delays caused by the responsiveness of the proposer, lack of staff, scientific or technical disagreements, or the level of public engagement. The report must specify the number of days from initial submission of the application to the day of determination that the application is complete. The report must aggregate the data for the year and assess whether program or system changes are necessary to achieve the goal. The report must be posted on the department's Web site and submitted to the governor and the chairs and ranking minority members of the house of representatives and senate committees having jurisdiction over natural resources policy and finance.

(c) The commissioner shall allow electronic submission of environmental review and permit documents to the department.

(d) Beginning July 1, 2011, within 30 business days of application for a permit subject to paragraph (a), the commissioner of natural resources shall notify the project proposer, in writing, whether the application is complete or incomplete. If the commissioner determines that an application is incomplete, the notice to the applicant must enumerate all deficiencies, citing specific provisions of the applicable rules and statutes, and advise the applicant on how the deficiencies can be remedied. If the commissioner determines that the application is complete, the notice must confirm the application's Tier 1 or Tier 2 permit status. This paragraph does not apply to an application for a permit that is subject to a grant or loan agreement under chapter 446A.

Sec. 2. Minnesota Statutes 2014, section 116.03, subdivision 2b, is amended to read:

Subd. 2b. **Permitting efficiency.** (a) It is the goal of the state that environmental and resource management permits be issued or denied within ~~90~~ 45 days for Tier 1 permits or 150 days for Tier 2 permits following submission of a permit application. The commissioner of the Pollution Control Agency shall establish management systems designed to achieve the goal. For the purposes of this section, "Tier 1 permits" are permits

that do not require individualized actions or public comment periods, and "Tier 2 permits" are permits that require individualized actions or public comment periods.

(b) The commissioner shall prepare an annual permitting efficiency report that includes statistics on meeting the goal in paragraph (a) and the criteria for Tier 1 and Tier 2 by permit categories. The report is due August 1 each year. For permit applications that have not met the goal, the report must state the reasons for not meeting the goal. In stating the reasons for not meeting the goal, the commissioner shall separately identify delays caused by the responsiveness of the proposer, lack of staff, scientific or technical disagreements, or the level of public engagement. The report must specify the number of days from initial submission of the application to the day of determination that the application is complete. The report must aggregate the data for the year and assess whether program or system changes are necessary to achieve the goal. The report must be posted on the agency's Web site and submitted to the governor and the chairs and ranking minority members of the house of representatives and senate committees having jurisdiction over environment policy and finance.

(c) The commissioner shall allow electronic submission of environmental review and permit documents to the agency.

(d) Beginning July 1, 2011, within 30 business days of application for a permit subject to paragraph (a), the commissioner of the Pollution Control Agency shall notify the project proposer, in writing, whether the application is complete or incomplete. If the commissioner determines that an application is incomplete, the notice to the applicant must enumerate all deficiencies, citing specific provisions of the applicable rules and statutes, and advise the applicant on how the deficiencies can be remedied. If the commissioner determines that the application is complete, the notice must confirm the application's Tier 1 or Tier 2 permit status. This paragraph does not apply to an application for a permit that is subject to a grant or loan agreement under chapter 446A.

(e) For purposes of this subdivision, "permit professional" means an individual not employed by the Pollution Control Agency who:

(1) has a professional license issued by the state of Minnesota in the subject area of the permit;

(2) has at least ten years of experience in the subject area of the permit; and

(3) abides by the duty of candor applicable to employees of the Pollution Control Agency under agency rules and complies with all applicable requirements under chapter 326.

(f) Upon the agency's request, an applicant relying on a permit professional must participate in a meeting with the agency before submitting an application:

(1) at least two weeks prior to the preapplication meeting, the applicant must submit at least the following:

(i) project description, including, but not limited to, scope of work, primary emissions points, discharge outfalls, and water intake points;

(ii) location of the project, including county, municipality, and location on the site;

(iii) business schedule for project completion; and

(iv) other information requested by the agency at least four weeks prior to the scheduled meeting; and

(2) during the preapplication meeting, the agency shall provide for the applicant at least the following:

(i) an overview of the permit review program;

(ii) a determination of which specific application or applications will be necessary to complete the project;

(iii) a statement notifying the applicant if the specific permit being sought requires a mandatory public hearing or comment period;

(iv) a review of the timetable established in the permit review program for the specific permit being sought; and

(v) a determination of what information must be included in the application, including a description of any required modeling or testing.

(g) The applicant may select a permit professional to undertake the preparation of the permit application and draft permit.

(h) If a preapplication meeting was held, the agency shall, within seven business days of receipt of an application, notify the applicant and submitting permit professional that the application is complete or is denied, specifying the deficiencies of the application.

(i) Upon receipt of notice that the application is complete, the permit professional shall submit to the agency a timetable for submitting a draft permit. The permit professional shall submit a draft permit on or before the date provided in the timetable. Within 60 days after the close of the public comment period, the commissioner shall notify the applicant whether the permit can be issued.

(j) Nothing in this section shall be construed to modify:

(1) any requirement of law that is necessary to retain federal delegation to or assumption by the state; or

(2) the authority to implement a federal law or program.

(k) The permit application and draft permit shall identify or include as an appendix all studies and other sources of information used to substantiate the analysis contained in the permit application and draft permit. The commissioner shall request additional studies,

if needed, and the project proposer shall submit all additional studies and information necessary for the commissioner to perform the commissioner's responsibility to review, modify, and determine the completeness of the application and approve the draft permit.

ARTICLE 2

RULEMAKING REFORM

Section 1. Minnesota Statutes 2014, section 3.842, subdivision 4a, is amended to read:

Subd. 4a. **Objections to rules or proposed rules.** (a) ~~For purposes of this subdivision, "committee" means the house of representatives policy committee or senate policy committee with primary jurisdiction over state governmental operations.~~ The commission ~~or a committee~~ may object to a rule or proposed rule as provided in this subdivision~~. If the commission or a committee objects to all or some portion of a rule because the commission or committee considers it to be~~ on the grounds that the rule or proposed rule: (1) is beyond the procedural or substantive authority delegated to the agency~~, including a proposed rule submitted under section 14.15, subdivision 4, or 14.26, subdivision 3, paragraph (c)~~; or (2) is inconsistent with the enabling statute; is unnecessary or redundant; has a substantial economic impact as defined in section 14.02, subdivision 5; is not based on sound, reasonably available scientific, technical, economic, or other information; is not cost effective; is unduly burdensome; or is more restrictive than the standard, limitation, or requirement imposed by federal law or rule pertaining to the same subject matter. If the commission objects to all or some portion of a rule or proposed rule, the commission ~~or committee may~~ shall file that objection in the Office of the Secretary of State. The filed objection must contain a concise statement of the commission's ~~or committee's~~ reasons for its action. ~~An objection to a proposed rule submitted by the commission or a committee under section 14.15, subdivision 4, or 14.26, subdivision 3, paragraph (c), may not be filed before the rule is adopted~~ For a proposed rule, the objection must be filed within 30 days of receipt of the notice under section 14.116, 14.388, or 14.389.

(b) The secretary of state shall affix to each objection a certification of the date and time of its filing and as soon after the objection is filed as practicable shall electronically transmit a ~~certified~~ copy of it to the agency issuing the rule in question and to the revisor of statutes. The secretary of state shall also maintain a permanent register open to public inspection of all objections by the commission ~~or committee~~.

(c) The commission ~~or committee~~ shall publish and index an objection filed under this section in the next issue of the State Register. The revisor of statutes shall indicate the existence of the objection adjacent to the rule in question when that rule is published in Minnesota Rules.

(d) Within 14 days after the filing of an objection by the commission ~~or committee~~ to a rule or proposed rule, the issuing agency shall respond in writing to the objecting entity. After receipt of the response, the commission ~~or committee~~ may withdraw or modify its objection. After the filing of an objection that is not subsequently withdrawn, the agency may not adopt the rule until the legislature adjourns sine die. If the commission files an objection that is not subsequently withdrawn, the commission must, as soon as practical, make a recommendation on a bill that approves the proposed rule, prohibits adoption of the proposed rule, or amends or repeals the law governing a previously adopted rule for which an objection was filed.

(e) After the filing of an objection by the commission ~~or committee~~ that is not subsequently withdrawn, the burden is upon the agency in any proceeding for judicial review or for enforcement of the rule to establish by clear and convincing evidence that the whole or portion of the rule objected to is valid and demonstrates that the objection raised under paragraph (a) is not justified, based on the criteria for objecting to a rule under paragraph (a).

(f) The failure of the commission ~~or a committee~~ to object to a rule is not an implied legislative authorization of its validity.

(g) In accordance with sections 14.44 and 14.45, the commission ~~or a committee~~ may petition for a declaratory judgment to determine the validity of a rule objected to by the commission ~~or committee~~. The action must be started within two years after an objection is filed in the Office of the Secretary of State.

(h) The commission ~~or a committee~~ may intervene in litigation arising from agency action. For purposes of this paragraph, agency action means the whole or part of a rule, or the failure to issue a rule.

Sec. 2. Minnesota Statutes 2014, section 14.02, is amended by adding a subdivision to read:

Subd. 5. **Substantial economic impact.** A rule has a "substantial economic impact" if the rule would result in, or likely result in:

(1) an adverse effect or impact on the private-sector economy of the state of Minnesota of $1,000,000 or more in a single year;

(2) a significant increase in costs or prices for consumers, individual private-sector industries, state agencies, local governments, individuals, or private-sector enterprises within certain geographic regions inside the state of Minnesota;

(3) significant adverse impacts on the competitiveness of private-sector Minnesota-based enterprises, or on private-sector employment, investment, productivity, or innovation within the state of Minnesota; or

(4) compliance costs, in the first year after the rule takes effect, of more than $25,000 for any one business that has less than 50 full-time employees, or for any one statutory or home rule charter city that has less than ten full-time employees.

Sec. 3. Minnesota Statutes 2014, section 14.05, subdivision 1, is amended to read:

Subdivision 1. **Authority to adopt original rules restricted.** (a) Each agency shall adopt, amend, suspend, or repeal its rules: (1) in accordance with the procedures specified in sections 14.001 to 14.69~~, and~~; (2) only pursuant to authority expressly delegated by state or federal law; (3) only as necessary to serve the public interest; and (4) in full compliance with its duties and obligations.

(b) If a law authorizing rules is repealed, the rules adopted pursuant to that law are automatically repealed on the effective date of the law's repeal unless there is another law authorizing the rules.

(c) Except as provided in section 14.06, sections 14.001 to 14.69 shall not be authority for an agency to adopt, amend, suspend, or repeal rules.

Sec. 4. Minnesota Statutes 2014, section 14.05, is amended by adding a subdivision to read:

Subd. 1a. **Limitation regarding certain policies, guidelines, and other nonbinding interpretive statements.** An agency shall not seek to implement or enforce against any person a policy, guideline, or other nonbinding interpretive statement that meets the definition of a rule under this chapter if the policy, guideline, or other nonbinding interpretive statement has not been adopted as a rule in accordance with this chapter.

Sec. 5. Minnesota Statutes 2014, section 14.116, is amended to read:

14.116 NOTICE TO LEGISLATURE.

(a) By January 15 each year, each agency must submit its rulemaking docket maintained under section 14.366, and the official rulemaking record required under section 14.365 for any rule adopted during the preceding calendar year, to the chairs and ranking minority members of the legislative policy and budget committees with jurisdiction over the subject matter of the proposed rule and to the Legislative Coordinating Commission.

(b) When an agency mails notice of intent to adopt rules under section 14.14 or 14.22, the agency must send a copy of the same notice and a copy of the statement of need

and reasonableness to the chairs and ranking minority party members of the legislative policy and budget committees with jurisdiction over the subject matter of the proposed rules and to the Legislative Coordinating Commission.

(c) In addition, if the mailing of the notice is within two years of the effective date of the law granting the agency authority to adopt the proposed rules, the agency shall make reasonable efforts to send a copy of the notice and the statement to all sitting legislators who were chief house of representatives and senate authors of the bill granting the rulemaking authority. If the bill was amended to include this rulemaking authority, the agency shall make reasonable efforts to send the notice and the statement to the chief house of representatives and senate authors of the amendment granting rulemaking authority, rather than to the chief authors of the bill.

Sec. 6. Minnesota Statutes 2014, section 14.131, is amended to read:

14.131 STATEMENT OF NEED AND REASONABLENESS.

By the date of the section 14.14, subdivision 1a, notice, the agency must prepare, review, and make available for public review a statement of the need for and reasonableness of the rule. The statement of need and reasonableness must be prepared under rules adopted by the chief administrative law judge and must include the following to the extent the agency, through reasonable effort, can ascertain this information:

(1) a description of the classes of persons who probably will be affected by the proposed rule, including classes that will bear the costs of the proposed rule and classes that will benefit from the proposed rule;

(2) the probable costs to the agency and to any other agency of the implementation and enforcement of the proposed rule and any anticipated effect on state revenues;

(3) a determination of whether there are less costly methods or less intrusive methods for achieving the purpose of the proposed rule;

(4) a description of any alternative methods for achieving the purpose of the proposed rule that were seriously considered by the agency and the reasons why they were rejected in favor of the proposed rule;

(5) the probable costs of complying with the proposed rule, including the portion of the total costs that will be borne by identifiable categories of affected parties, such as separate classes of governmental units, businesses, or individuals;

(6) the probable costs or consequences of not adopting the proposed rule, including those costs or consequences borne by identifiable categories of affected parties, such as separate classes of government units, businesses, or individuals;

(7) an assessment of any differences between the proposed rule and existing federal regulations and a specific analysis of the need for and reasonableness of each difference; and

(8) an assessment of the cumulative effect of ~~the rule with other federal and state regulations related to the specific purpose of the rule~~ all rules adopted by the agency or any other agency, and all federal regulations and local ordinances or regulations, related to the specific purpose for which the rule is being adopted; and

(9) the agency's findings and conclusions that support its determination that the proposed rule does not have a substantial economic impact.

The statement must describe how the agency, in developing the rules, considered and implemented the legislative policy supporting performance-based regulatory systems set forth in section 14.002 in a cost-effective and timely manner.

For purposes of clause (8), "cumulative effect" means the impact that results from incremental impact of the proposed rule in addition to other rules, regardless of what state or federal agency has adopted the other rules. Cumulative effects can result from individually minor but collectively significant rules adopted over a period of time.

The statement must describe, with reasonable particularity, the scientific, technical, and economic information that supports the proposed rule.

The statement must also describe the agency's efforts to provide additional notification under section 14.14, subdivision 1a, to persons or classes of persons who may be affected by the proposed rule or must explain why these efforts were not made.

The agency must consult with the commissioner of management and budget to help evaluate the fiscal impact and fiscal benefits of the proposed rule on units of local government. The agency must send a copy of the statement of need and reasonableness to the Legislative Reference Library when the notice of hearing is mailed under section 14.14, subdivision 1a.

Sec. 7. Minnesota Statutes 2014, section 14.19, is amended to read:

14.19 DEADLINE TO COMPLETE RULEMAKING.

Within 180 days after issuance of the administrative law judge's report or that of the chief administrative law judge, the agency shall submit its notice of adoption, amendment, or repeal to the State Register for publication. If the agency has not submitted its notice to the State Register within 180 days, the rule is automatically withdrawn. The agency may not adopt the withdrawn rules without again following the procedures of sections 14.05 to 14.28, with the exception of section 14.101, if the noncompliance is approved by the chief administrative law judge. The agency shall report to the Legislative Coordinating Commission, other appropriate committees of the legislature, and the governor its failure

to adopt rules and the reasons for that failure. The 180-day time limit of this section does not include:

(1) any days used for review by the chief administrative law judge or the commission if the review is required by law; or

(2) days during which the rule cannot be adopted, because of votes by legislative committees under section 14.126~~; or (3) days during which the rule cannot be adopted because approval of the legislature is required under section 14.127~~.

Sec. 8. Minnesota Statutes 2014, section 14.388, subdivision 2, is amended to read:

Subd. 2. **Notice.** An agency proposing to adopt, amend, or repeal a rule under this section must give notice to the chairs and ranking minority members of the legislative policy and budget committees with jurisdiction over the subject matter of the proposed rules and to the Legislative Coordinating Commission, must give electronic notice of its intent in accordance with section 16E.07, subdivision 3, and must give notice by United States mail or electronic mail to persons who have registered their names with the agency under section 14.14, subdivision 1a. The notice must be given no later than the date the agency submits the proposed rule to the Office of Administrative Hearings for review of its legality and must include:

(1) the proposed rule, amendment, or repeal;

(2) an explanation of why the rule meets the requirements of the good cause exemption under subdivision 1; and

(3) a statement that interested parties have five business days after the date of the notice to submit comments to the Office of Administrative Hearings.

Sec. 9. Minnesota Statutes 2014, section 14.389, subdivision 2, is amended to read:

Subd. 2. **Notice and comment.** The agency must publish notice of the proposed rule in the State Register ~~and~~, must mail the notice by United States mail or electronic mail to persons who have registered with the agency to receive mailed notices, and must give notice to the chairs and ranking minority members of the legislative policy and budget committees with jurisdiction over the subject matter of the proposed rules and to the Legislative Coordinating Commission. The mailed notice and the notice to legislators must include either a copy of the proposed rule or a description of the nature and effect of the proposed rule and a statement that a free copy is available from the agency upon request. The notice in the State Register must include the proposed rule or the amended rule in the form required by the revisor under section 14.07, an easily readable and understandable summary of the overall nature and effect of the proposed rule, and a

citation to the most specific statutory authority for the rule, including authority for the rule to be adopted under the process in this section. The agency must allow 30 days after publication in the State Register for comment on the rule.

Sec. 10. **REPEALER.**

Minnesota Statutes 2014, section 14.127, is repealed.

ARTICLE 3

TAX PROVISIONS

Section 1. **[116X.01] TITLE.**

This chapter is titled and may be cited as the "Minnesota New Markets Jobs Act."

Sec. 2. **[116X.02] DEFINITIONS.**

Subdivision 1. **Scope.** For the purposes of this chapter, the terms defined in this section have the meanings given.

Subd. 2. **Affiliate.** (a) For the purposes of subdivision 10, the term "affiliate" includes:

(1) any entity, without regard to whether the entity is a qualified community development entity under subdivision 10, that is the initial holder, either directly or through one or more special purpose entities, of a qualified equity investment in the qualified community development entity; and

(2) any entity, without regard to whether the entity is a qualified community development entity under subdivision 10, that provides insurance or any other form of guaranty to the ultimate recipient of tax credits under section 116X.03 with respect to a recapture or forfeiture of tax credits under section 116X.06, either directly or through the guaranty of any other economic benefit that is paid in lieu of the tax credits allowable under section 116X.03.

(b) The determination of whether an entity is an affiliate must be made by taking into account all relevant facts and circumstances, including the description of the proposed amount, structure, and initial purchaser of the qualified equity investment required by section 116X.05, subdivision 1, clause (4), and the determination assumes that the information provided pursuant to section 116X.05, subdivision 1, clause (4), is true and complete as of the date an application is submitted pursuant to section 116X.05.

Subd. 3. **Applicable percentage.** "Applicable percentage" means zero percent for the first two credit allowance dates, eight percent for the third through sixth credit allowance dates, and seven percent for the seventh credit allowance date.

Subd. 4. **Code.** "Code" or "the Code" means the Internal Revenue Code of 1986 as amended through the date in section 290.01, subdivision 19.

Subd. 5. **Credit allowance date.** "Credit allowance date" means with respect to any qualified equity investment:

(1) the date on which the investment is initially made; and

(2) each of the six anniversary dates of that date thereafter.

Subd. 6. **Department.** "Department" means the Department of Employment and Economic Development.

Subd. 7. **Long-term debt security.** "Long-term debt security" means any debt instrument issued by a qualified community development entity at par value with an original maturity date of at least seven years from the date of its issuance, with no acceleration of repayment, amortization, or prepayment features prior to its original maturity date. The qualified community development entity that issues the debt instrument must not make cash interest payments on the debt instrument during the period beginning on the date of issuance and ending on the final credit allowance date in an amount that exceeds the cumulative operating income, as defined by regulations adopted under section 45D of the Code of the qualified community development entity for that period prior to giving effect to the expense of the cash interest payments. This subdivision does not limit the holder's ability to accelerate payments on the debt instrument in situations where the issuer has defaulted on covenants designed to ensure compliance with this section or section 45D of the Code.

Subd. 8. **Purchase price.** "Purchase price" means the amount paid to the issuer of a qualified equity investment for such qualified equity investment.

Subd. 9. **Qualified active low-income community business.** (a) "Qualified active low-income community business" means a business as defined in section 45D of the Code and Code of Federal Regulations, title 26, section 1.45D-1, and that is engaged primarily in a qualified high-technology field, as defined in section 116J.8737, subdivision 2, paragraph (g), clause (1), manufacturing, mining, or forestry. A business is considered a qualified active low-income community business for the duration of the qualified community development entity's investment in, or loan to, the business if the entity reasonably expects, at the time it makes the investment or loan, that the business will continue to satisfy the requirements for being a qualified active low-income community business, throughout the entire period of the investment or loan.

(b) Qualified active low-income community business excludes any business that derives or projects to derive 15 percent or more of its annual revenue from activities described in section 116J.8737, subdivision 2, paragraph (c), clause (4).

Subd. 10. **Qualified community development entity.** (a) "Qualified community development entity" has the meaning given in section 45D of the Code, provided that the entity has entered into, for the current year or any prior year, an allocation agreement with the Community Development Financial Institutions Fund of the United States Department of the Treasury with respect to credits authorized by section 45D of the Code, which includes Minnesota within the service area set forth in the allocation agreement. The term includes subsidiary community development entities or affiliates of any qualified community development entity, all of which are treated as a single applicant for purposes of section 116X.05.

(b) Qualified community development entity excludes any regulated financial institution that is subject to the Community Reinvestment Act of 1977, United States Code, title 12, chapter 30, or any subsidiary or affiliate of a regulated financial institution.

(c) Paragraph (b) does not apply to a regulated financial institution, or its subsidiary or affiliate, if the regulated financial institution is chartered by, or headquartered in, Minnesota and the regulated financial institution otherwise meets the requirements of paragraph (a).

Subd. 11. **Qualified equity investment.** (a) "Qualified equity investment" means any equity investment in, or long-term debt security issued by, a qualified community development entity that:

(1) is acquired after January 1, 2016, at its original issuance solely in exchange for cash;

(2) has at least 100 percent of its cash purchase price used by the issuer to make qualified low-income community investments in qualified active low-income community businesses located in this state by the first anniversary of the initial credit allowance date; and

(3) is designated by the issuer as a qualified equity investment under this subdivision and is certified by the department as not exceeding the limitation contained in section 116X.05, subdivision 4.

(b) Notwithstanding the restrictions on transferability contained in section 116X.04, this term includes any qualified equity investment that does not meet the provisions of paragraph (a) if the investment:

(1) is transferred to a subsequent holder; and

(2) was a qualified equity investment in the hands of any prior holder.

(c) Qualified entity investment does not include:

(1) any investment that entitles the holder to claim tax credits under section 45D of the Code; or

(2) any investment, the proceeds of which are used to make debt or equity investments in, directly or indirectly, any other qualified community development entity.

Subd. 12. **Qualified low-income community investment.** "Qualified low-income community investment" means any capital or equity investment in, or loan to, any qualified active low-income community business. With respect to any one qualified active low-income community business, the maximum amount of qualified low-income community investments that may be made in the business, on a collective basis with all of its affiliates, with the proceeds of qualified equity investments that have been certified under section 116X.05 is $10,000,000 whether made by one or several qualified community development entities.

Subd. 13. **Refundable performance fee.** "Refundable performance fee" means a fee that a qualified community development entity seeking to have an equity investment or long-term debt security designated as a qualified equity investment and eligible for tax credits under section 116X.05 must pay to the department as assurance of compliance with certain requirements of this chapter. The amount of the fee equals one-half of one percent of the amount of the equity investment or long-term debt security requested to be designated as a qualified equity investment, up to a maximum performance fee of $500,000.

Subd. 14. **State premium tax liability.** "State premium tax liability" means any liability incurred by any entity under chapter 297I.

Sec. 3. **[116X.03] CREDIT ESTABLISHED.**

(a) Any entity that makes a qualified equity investment earns a vested right to credit against the entity's state premium tax liability on a premium tax report filed under this section that may be utilized as described in paragraphs (b) to (e).

(b) On each credit allowance date of the qualified equity investment, the entity, or subsequent holder of the qualified equity investment, is entitled to utilize a portion of the credit during the taxable year, including the credit allowance date.

(c) The credit amount equals the applicable percentage for the credit allowance date multiplied by the purchase price paid to the issuer of the qualified equity investment.

(d) The amount of the credit claimed by an entity must not exceed the amount of the entity's state premium tax liability for the tax year for which the credit is claimed. Any amount of tax credit that the entity is prohibited from claiming in a taxable year as a result of this chapter may be carried forward for use in any subsequent taxable year.

(e) An entity claiming a credit under this chapter is not required to pay any additional retaliatory tax levied under section 297I.05 as a result of claiming that credit. In addition,

it is the intent of this section that an entity claiming a credit under this chapter is not required to pay any additional tax that may arise as a result of claiming that credit.

Sec. 4. **[116X.04] TRANSFERABILITY.**

No tax credit claimed under this chapter is refundable or saleable on the open market. However, a participating investor may transfer credits to an affiliated insurance company, if it notifies the department in writing. Tax credits earned by a partnership, limited liability company, S corporation, or other "pass-through" entity may be allocated to the partners, members, or shareholders of the entity for their direct use in accordance with the provisions of any agreement among those partners, members, or shareholders. Any allocation of tax credits made to a partner, member, or shareholder in accordance with this section is not considered a sale of such tax credits for purposes of this chapter.

Sec. 5. **[116X.05] CERTIFICATION OF QUALIFIED EQUITY INVESTMENTS.**

Subdivision 1. **Application.** A qualified community development entity that seeks to have an equity investment or long-term debt security designated as a qualified equity investment and eligible for tax credits under this chapter may apply to the department on or after January 1, 2017. The application must include the following:

(1) evidence of the applicant's certification as a qualified community development entity, including evidence of the service area of the entity that includes Minnesota;

(2) a copy of the allocation agreement executed by the applicant, or its controlling entity, and the Community Development Financial Institutions Fund under section 116X.02, subdivision 10;

(3) a certificate executed by an executive officer of the applicant attesting that the allocation agreement remains in effect and has not been revoked or canceled by the Community Development Financial Institutions Fund;

(4) a description of the proposed amount, structure, and initial purchaser of the qualified equity investment;

(5) the minimum amount of the qualified equity investment the qualified community development entity is willing to accept if the amount proposed to be certified under clause (4) is less than the applicant's proposed amount of qualified equity investment;

(6) a plan describing the proposed investment of the proceeds of the qualified equity investment, including the types of qualified active low-income community businesses in which the applicant expects to invest. Applicants are not required to identify qualified active low-income community businesses in which they will invest when submitting an application;

(7) a nonrefundable application fee of $5,000. This fee must be paid to the department and is required for each application submitted; and

(8) the refundable performance fee required by section 116X.08.

Subd. 2. **Consideration of application.** Within 30 days after receipt of a completed application containing the information in subdivision 1, including the payment of the application fee and the refundable performance fee, the department shall grant or deny the application in full or in part. If the department denies any part of the application, it shall inform the qualified community development entity of the grounds for the denial. If the qualified community development entity provides any additional information required by the department or otherwise completes its application within 15 days of the notice of denial, the application is considered completed as of the original date of submission. If the qualified community development entity fails to provide the information or complete its application within the 15-day period, the application remains denied and must be resubmitted in full with a new submission date.

Subd. 3. **Certification.** If the application required under this section is complete, the department shall certify the proposed equity investment or long-term debt security as a qualified equity investment that is eligible for tax credits under this chapter, subject to the limitations in subdivision 5. The department shall provide written notice of the certification to the qualified community development entity. The notice must include the name of the initial purchaser of the qualified equity investment and the credit amount. Before any tax credits are claimed under this chapter, the qualified community development entity shall provide written notice to the department of the names of the entities eligible to claim the credits as a result of holding a qualified equity investment. If the names of the entities that are eligible to utilize the credits change due to a transfer of a qualified equity investment or an allocation or affiliate transfer pursuant to section 116X.04, the qualified community development entity shall notify the department of the change.

Subd. 4. **Amount certified.** The department shall certify $250,000,000 in qualified equity investments. The department shall certify qualified equity investments in the order applications are received by the department. Applications received on the same day are deemed to have been received simultaneously. For applications that are complete and received on the same day, the department shall certify, consistent with remaining qualified equity investment capacity, the qualified equity investments in proportionate percentages based upon the ratio of the amount of qualified equity investment requested in an application to the total amount of qualified equity investments requested in all applications received on the same day. If any amount of qualified equity investment that would be certified under this section is less than the acceptable minimum amount specified in the

application as required by subdivision 1, clause (5), the application is deemed withdrawn and the amount of qualified equity investment is proportionately allocated among the other applicants pursuant to this subdivision.

Subd. 5. **Transfer of authority.** An approved applicant may transfer all or a portion of its certified qualified equity investment authority to its controlling entity or any subsidiary qualified community development entity of the controlling entity, if the applicant provides the information required in the application with respect to the transferee and the applicant notifies the department of the transfer within 30 days of the transfer.

Subd. 6. **Cash investment.** Within 60 days of the applicant receiving notice of certification, the qualified community development entity, or any transferee under subdivision 5, shall issue the qualified equity investment and receive cash in the amount of the certified amount. The qualified community development entity or transferee under subdivision 5 must provide the department with evidence of the receipt of the cash investment within ten business days after receipt. If the qualified community development entity or any transferee under subdivision 5 does not receive the cash investment and issue the qualified equity investment within 60 days following receipt of the certification notice, the certification lapses and the entity may not issue the qualified equity investment without reapplying to the department for certification. Lapsed certifications revert back to the department and must be reissued, first, pro rata to other applicants whose qualified equity investment allocations were reduced under subdivision 4 and, thereafter, in accordance with the application process.

Sec. 6. **[116X.06] DISALLOWANCE OF TAX CREDITS AND PENALTIES.**

(a) The department shall disallow the utilization of any tax credits earned as a result of holding a qualified equity investment, but not yet claimed, if:

(1) the issuer redeems or makes principal repayment with respect to a qualified equity investment prior to the seventh anniversary of the issuance of the qualified equity investment. In this case, the department's disallowance of unclaimed tax credits are proportionate to the amount of the redemption or repayment with respect to the qualified equity investment;

(2) the issuer fails to invest an amount equal to 100 percent of the purchase price of the qualified equity investment in qualified low-income community investments in Minnesota within 12 months of the issuance of the qualified equity investment and maintain at least 100 percent of the level of investment in qualified low-income community investments in Minnesota until the last credit allowance date for the qualified equity investment. For purposes of this section, an investment is considered held by an

issuer even if the investment has been sold or repaid if the issuer reinvests an amount equal to the capital returned to or recovered by the issuer from the original investment, exclusive of any profits realized, in another qualified low-income community investment within 12 months of the receipt of the capital. An issuer is not required to reinvest capital returned from qualified low-income community investments after the sixth anniversary of the issuance of the qualified equity investment, if proceeds were used to make the qualified low-income community investment, and the qualified low-income community investment is considered to be held by the issuer through the seventh anniversary of the qualified equity investment's issuance; or

(3) there is any violation of section 116X.10.

(b) Notwithstanding any contrary provision, any tax credit already claimed under this chapter is not subject to recapture upon the occurrence of an event set forth in paragraph (a), clause (1) or (2).

(c) If the department disallows the utilization of tax credits under this section, it may also, at its discretion, impose penalties on the qualified community development entity that issued the qualified equity investment for which tax credits are disallowed, not to exceed the amount of the refundable performance fee required under section 116X.08 and without regard to whether the fee has been refunded to the qualified community development entity.

Sec. 7. **[116X.07] NOTICE OF NONCOMPLIANCE.**

Enforcement of each of the disallowance and penalty provisions is subject to a six-month cure period. No disallowance or penalty may be imposed until the qualified community development entity has been given notice of noncompliance and afforded six months from the date of the notice to cure the noncompliance.

Sec. 8. **[116X.08] REFUNDABLE PERFORMANCE FEE.**

Subdivision 1. **Performance guarantee amount.** A qualified community development entity that seeks to have an equity investment or long-term debt security designated as a qualified equity investment and eligible for tax credits under this section shall pay a refundable performance fee to the department for deposit in the new markets performance guarantee account, which is hereby established. The following amounts are forfeited to the department:

(1) the performance fee in its entirety if the qualified community development entity and its subsidiary qualified community development entities fail to issue the total amount of qualified equity investments certified by the department and receive cash in the total amount certified under section 116X.05, subdivision 3; or

(2) the amount of the performance fee equal to the product of the original amount of the refundable performance fee multiplied by the percentage of the remaining amount of the proceeds of the qualified equity investment not used to make qualified low-income equity investments if the qualified community development entity or any subsidiary qualified community development entity that issues a qualified equity investment certified under this section fails to meet the investment requirement under section 116X.06 by the second credit allowance date of the qualified equity investment. Forfeiture of the fee or any portion thereof under this paragraph is subject to the six-month cure period established under section 116X.07.

Subd. 2. **Request for refund.** The fee required under subdivision 1 must be paid to the department and held in the new markets performance guarantee account until compliance with subdivision 1 is established. The qualified community development entity may request a refund of the fee from the department no sooner than 30 days after it meets all the requirements of subdivision 1. The department has 30 days to comply with the request or give notice of noncompliance.

Sec. 9. **[116X.09] PREAPPROVAL OF INVESTMENTS.**

Before making a proposed qualified low-income community investment, a qualified community development entity may request from the department a written determination that the proposed investment will qualify as a qualified low-income community investment and will satisfy all applicable provisions of this chapter. The department must notify a qualified community development entity within ten business days from the receipt of a request of its determination and an explanation thereof. Any determination made by the department pursuant to this section is binding on the department.

Sec. 10. **[116X.10] USE OF PROCEEDS PROHIBITED.**

A qualified active low-income community business that receives a qualified low-income community investment under this chapter, or any affiliates of a qualified active low-income community business, may not directly or indirectly use the proceeds of the qualified active low-income community investment to lend to or invest in a qualified community development entity or member or affiliate of a qualified community development entity where the proceeds of the loan or investment are directly or indirectly used to fund or refinance the purchase of a qualified equity investment under this chapter.

Sec. 11. Minnesota Statutes 2014, section 290.01, subdivision 19b, is amended to read:

Subd. 19b. **Subtractions from federal taxable income.** For individuals, estates, and trusts, there shall be subtracted from federal taxable income:

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

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

(3) the amount paid to others, less the amount used to claim the credit allowed under section 290.0674, not to exceed $1,625 for each qualifying child in grades kindergarten to 6 and $2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and transportation of each qualifying child in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause, "textbooks" includes books and other instructional materials and equipment purchased or leased for use in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. Equipment expenses qualifying for deduction includes expenses as defined and limited in section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or transportation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs. No deduction is permitted for any expense the taxpayer incurred in using the taxpayer's or the qualifying child's vehicle to provide such transportation for a qualifying child. For purposes of the subtraction provided by this clause, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code;

(4) income as provided under section 290.0802;

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

(6) to the extent not deducted or not deductible pursuant to section 408(d)(8)(E) of the Internal Revenue Code in determining federal taxable income by an individual who does not itemize deductions for federal income tax purposes for the taxable year, an

amount equal to 50 percent of the excess of charitable contributions over $500 allowable as a deduction for the taxable year under section 170(a) of the Internal Revenue Code, under the provisions of Public Law 109-1 and Public Law 111-126;

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

(8) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (7), or 19c, clause (12), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or subdivision 19c, clause (12), in the case of a shareholder of an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. The resulting delayed depreciation cannot be less than zero;

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

(10) to the extent included in federal taxable income, the amount of compensation paid to members of the Minnesota National Guard or other reserve components of the United States military for active service, including compensation for services performed under the Active Guard Reserve (AGR) program. For purposes of this clause, "active service" means (i) state active service as defined in section 190.05, subdivision 5a, clause (1); or (ii) federally funded state active service as defined in section 190.05, subdivision 5b, and "active service" includes service performed in accordance with section 190.08, subdivision 3;

(11) to the extent included in federal taxable income, the amount of compensation paid to Minnesota residents who are members of the armed forces of the United States or United Nations for active duty performed under United States Code, title 10; or the authority of the United Nations;

(12) an amount, not to exceed $10,000, equal to qualified expenses related to a qualified donor's donation, while living, of one or more of the qualified donor's organs to another person for human organ transplantation. For purposes of this clause, "organ" means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow;

"human organ transplantation" means the medical procedure by which transfer of a human organ is made from the body of one person to the body of another person; "qualified expenses" means unreimbursed expenses for both the individual and the qualified donor for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses may be subtracted under this clause only once; and "qualified donor" means the individual or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An individual may claim the subtraction in this clause for each instance of organ donation for transplantation during the taxable year in which the qualified expenses occur;

(13) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (8), or 19c, clause (13), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (13), in the case of a shareholder of a corporation that is an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. If the net operating loss exceeds the addition for the tax year, a subtraction is not allowed under this clause;

(14) to the extent included in the federal taxable income of a nonresident of Minnesota, compensation paid to a service member as defined in United States Code, title 10, section 101(a)(5), for military service as defined in the Servicemembers Civil Relief Act, Public Law 108-189, section 101(2);

(15) to the extent included in federal taxable income, the amount of national service educational awards received from the National Service Trust under United States Code, title 42, sections 12601 to 12604, for service in an approved Americorps National Service program;

(16) to the extent included in federal taxable income, discharge of indebtedness income resulting from reacquisition of business indebtedness included in federal taxable income under section 108(i) of the Internal Revenue Code. This subtraction applies only to the extent that the income was included in net income in a prior year as a result of the addition under subdivision 19a, clause (13);

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

(18) the amount of expenses not allowed for federal income tax purposes due to claiming the railroad track maintenance credit under section 45G(a) of the Internal Revenue Code;

(19) the amount of the limitation on itemized deductions under section 68(b) of the Internal Revenue Code;

(20) the amount of the phaseout of personal exemptions under section 151(d) of the Internal Revenue Code; ~~and~~

(21) to the extent included in federal taxable income, the amount of qualified transportation fringe benefits described in section 132(f)(1)(A) and (B) of the Internal Revenue Code. The subtraction is limited to the lesser of the amount of qualified transportation fringe benefits received in excess of the limitations under section 132(f)(2)(A) of the Internal Revenue Code for the year or the difference between the maximum qualified parking benefits excludable under section 132(f)(2)(B) of the Internal Revenue Code minus the amount of transit benefits excludable under section 132(f)(2)(A) of the Internal Revenue Code; and

(22) to the extent included in federal taxable income for the taxable year, ten percent of the distributive share of income or loss, as defined in sections 703(a) and 1366(a)(2) of the Internal Revenue Code, combined from all partnerships or S corporations in which the taxpayer materially participates, as defined in section 469(h) of the Internal Revenue Code, and that have employees or tangible property in this state, but in no case less than zero.

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

Sec. 12. Minnesota Statutes 2014, section 290.068, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** A corporation, partners in a partnership, or shareholders in a corporation treated as an "S" corporation under section 290.9725 are allowed a credit against the tax computed under this chapter for the taxable year equal to:

(a) ten percent of the first $2,000,000 of the excess (if any) of

(1) the qualified research expenses for the taxable year, over

(2) the base amount; and

(b) ~~2.5~~ four percent on all of such excess expenses over $2,000,000.

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

Sec. 13. Minnesota Statutes 2014, section 290.068, subdivision 3, is amended to read:

Subd. 3. **Limitation; carryover.** (a) Except as provided in subdivision 6a, paragraph (b), the credit ~~for a taxable year beginning before January 1, 2010, and after December 31, 2012,~~ shall not exceed the liability for tax. "Liability for tax" for purposes of this section means the sum of the tax imposed under section 290.06, subdivisions 1 and 2c, for the taxable year reduced by the sum of the nonrefundable credits allowed under

this chapter, on all of the entities required to be included on the combined report of the unitary business. If the amount of the credit allowed exceeds the liability for tax of the taxpayer, but is allowed as a result of the liability for tax of other members of the unitary group for the taxable year, the taxpayer must allocate the excess as a research credit to another member of the unitary group.

(b) In the case of a corporation which is a partner in a partnership, the credit allowed for the taxable year shall not exceed the lesser of the amount determined under paragraph (a) for the taxable year or an amount (separately computed with respect to the corporation's interest in the trade or business or entity) equal to the amount of tax attributable to that portion of taxable income which is allocable or apportionable to the corporation's interest in the trade or business or entity.

(c) If the amount of the credit determined under this section for any taxable year exceeds the limitation under paragraph (a) or (b), including amounts allowed as a refund under subdivision 6a, paragraph (b), or allocated to other members of the unitary group, the excess shall be a research credit carryover to each of the 15 succeeding taxable years. The entire amount of the excess unused credit for the taxable year shall be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit which may be added under this clause shall not exceed the taxpayer's liability for tax less the research credit for the taxable year.

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

Sec. 14. Minnesota Statutes 2014, section 290.068, subdivision 6a, is amended to read:

Subd. 6a. **Credit to be refundable.** (a) If the amount of credit allowed in this section for qualified research expenses incurred in taxable years beginning after December 31, 2009, and before January 1, 2013, exceeds the taxpayer's tax liability under this chapter, the commissioner shall refund the excess amount. The credit allowed for qualified research expenses incurred in taxable years beginning after December 31, 2009, and before January 1, 2013, must be used before any research credit earned under subdivision 3.

(b) If the first $200,000 of the credit allowed in this section for qualified research expenses incurred in taxable years beginning after December 31, 2014, exceeds the taxpayer's tax liability under this chapter, the commissioner shall refund the excess amount. The $200,000 limit must be applied at the corporation, partnership, or other entity level. The credit allowed for qualified research expenses incurred in taxable years beginning before January 1, 2015, must be used before any research credit earned under subdivision 3.

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

Sec. 15. Minnesota Statutes 2014, 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;

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

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

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

(6) the amount of addition required by section 290.01, subdivision 19a, clauses (7) to (9), and (11) to (14);

less the sum of the amounts determined under the following:

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

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

(3) the amount of investment interest paid or accrued within the taxable year on indebtedness to the extent that the amount does not exceed net investment income, as

defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted in computing federal adjusted gross income;

(4) amounts subtracted from federal taxable income as provided by section 290.01, subdivision 19b, clauses (6), (8) to (14), (16), ~~and~~ (21), and (22); and

(5) 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 for taxable years beginning after December 31, 2014.

Sec. 16. **EFFECTIVE DATE.**

Sections 1 to 10 are effective the day following final enactment, and apply to premium tax returns originally due on or after December 31, 2015.

ARTICLE 4

WORKFORCE HOUSING

Section 1. **[116J.549] WORKFORCE HOUSING GRANT PROGRAM.**

Subdivision 1. **Establishment.** The commissioner of employment and economic development shall establish a workforce housing grant program to award grants to qualified cities to be used for qualified expenditures.

Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Market rate residential rental properties" means properties that are rented at market value and excludes:

(1) properties constructed with financial assistance requiring the property to be occupied by residents that meet income limits under federal or state law of initial occupancy; and

(2) properties constructed with federal, state, or local flood recovery assistance, regardless of whether that assistance imposed income limits as a condition of receiving assistance.

(c) "Qualified city" means a home rule charter or statutory city with a population exceeding 1,500.

(d) "Qualified expenditure" means expenditures for market rate residential rental properties including acquisition of property; construction of improvements; provisions of loans or subsidies, grants, interest rate subsidies, public infrastructure, and related financing costs.

Subd. 3. **Application.** The commissioner shall develop forms and procedures to solicit and review applications for grants under this section. A city must include in its application information sufficient to verify that it meets the program requirements under this section and any additional evidence of the scarcity of workforce housing in the city that it considers appropriate or that the commissioner requires.

Subd. 4. **Program requirements.** The commissioner must not award a grant to a city under this section until the following determinations are made:

(1) the average vacancy rate for rental housing located in the city, and in any other city located within 25 miles or less of the boundaries of the city, has been five percent or less for at least the prior two-year period;

(2) one or more businesses located in the city, or within 25 miles of the city, that employs a minimum of 20 full-time equivalent employees in aggregate have provided a written statement to the city indicating that the lack of available rental housing has impeded their ability to recruit and hire employees;

(3) the city has a population exceeding 1,500;

(4) fewer than five market rate residential rental units per 1,000 residents were constructed in the city in each of the last ten years; and

(5) the city has certified that the grants will be used for qualified expenditures for the development of rental housing to serve employees of businesses located in the city or surrounding area.

Subd. 5. **Allocation.** The amount of a grant under this section may not exceed the lesser of $..... per unit or ..... percent of the qualified expenditures for the project.

Subd. 6. **Report.** By January 15 of the year following the year in which the grant was issued, each city receiving a grant under this section must submit a report to the chairs and

ranking minority members of the senate and house of representatives committees having jurisdiction over taxes and workforce development specifying the projects that received grants under this section and the specific purposes for which the grant funds were used.

EFFECTIVE DATE. This section is effective July 1, 2015.

Sec. 2. Minnesota Statutes 2014, section 290.01, subdivision 19a, is amended to read:

Subd. 19a. **Additions to federal taxable income.** For individuals, estates, and trusts, there shall be added to federal taxable income:

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

(ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, except:

(A) the portion of the exempt-interest dividends exempt from state taxation under the laws of the United States; and

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

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

(2) the amount of income, 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 paid, sales and use, motor vehicle sales, or excise taxes paid to any other state or to any province or territory of Canada, to the extent allowed as a deduction under section 63(d) of the Internal Revenue Code, but the addition may not be more than the amount by which the state itemized deduction exceeds the amount of the standard deduction as defined in section 63(c) of the Internal Revenue Code, minus any addition that would have been required under clause (17) if the taxpayer had claimed the standard deduction. For

the purpose of this clause, income, sales and use, motor vehicle sales, or excise taxes are the last itemized deductions disallowed under clause (15);

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

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

(5) the amount of expense, interest, or taxes disallowed pursuant to section 290.10 other than expenses or interest used in computing net interest income for the subtraction allowed under subdivision 19b, clause (1);

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

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

(8) 80 percent of the amount by which the deduction allowed by section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended through December 31, 2003;

(9) to the extent deducted in computing federal taxable income, the amount of the deduction allowable under section 199 of the Internal Revenue Code;

(10) the amount of expenses disallowed under section 290.10, subdivision 2;

(11) for taxable years beginning before January 1, 2010, the amount deducted for qualified tuition and related expenses under section 222 of the Internal Revenue Code, to the extent deducted from gross income;

(12) for taxable years beginning before January 1, 2010, the amount deducted for certain expenses of elementary and secondary school teachers under section 62(a)(2)(D) of the Internal Revenue Code, to the extent deducted from gross income;

(13) discharge of indebtedness income resulting from reacquisition of business indebtedness and deferred under section 108(i) of the Internal Revenue Code;

(14) changes to federal taxable income attributable to a net operating loss that the taxpayer elected to carry back for more than two years for federal purposes but for which the losses can be carried back for only two years under section 290.095, subdivision 11, paragraph (c);

(15) the amount of disallowed itemized deductions, but the amount of disallowed itemized deductions plus the addition required under clause (2) may not be more than the amount by which the itemized deductions as allowed under section 63(d) of the Internal Revenue Code exceeds the amount of the standard deduction as defined in section 63(c) of the Internal Revenue Code, and reduced by any addition that would have been required under clause (17) if the taxpayer had claimed the standard deduction:

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

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

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

(ii) the term "applicable amount" means $100,000, or $50,000 in the case of a married individual filing a separate return. Each dollar amount shall be increased by an amount equal to:

(A) such dollar amount, multiplied by

(B) 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) thereof;

(iii) the term "itemized deductions" does not include:

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

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

(C) 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;

(16) the amount of disallowed personal exemptions for taxpayers with federal adjusted gross income over the threshold amount:

(i) the disallowed personal exemption amount is equal to the number of personal exemptions allowed under section 151(b) and (c) of the Internal Revenue Code 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;

(ii) "applicable percentage" means two percentage points for each $2,500 (or fraction thereof) by which the taxpayer's federal adjusted gross income for the taxable year exceeds the threshold amount. In the case of a married individual filing a separate return, the preceding sentence shall be applied by substituting "$1,250" for "$2,500." In no event shall the applicable percentage exceed 100 percent;

(iii) the term "threshold amount" means:

(A) $150,000 in the case of a joint return or a surviving spouse;

(B) $125,000 in the case of a head of a household;

(C) $100,000 in the case of an individual who is not married and who is not a surviving spouse or head of a household; and

(D) $75,000 in the case of a married individual filing a separate return; and

(iv) the thresholds shall be increased by an amount equal to:

(A) such dollar amount, multiplied by

(B) 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) thereof; ~~and~~

(17) to the extent deducted in the computation of federal taxable income, for taxable years beginning after December 31, 2010, and before January 1, 2014, the difference between the standard deduction allowed under section 63(c) of the Internal Revenue Code and the standard deduction allowed for 2011, 2012, and 2013 under the Internal Revenue Code as amended through December 1, 2010; and

(18) to the extent deducted in the computation of federal taxable income, contributions for which the taxpayer claims a credit under section 290.0682.

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

Sec. 3. Minnesota Statutes 2014, section 290.01, subdivision 19c, is amended to read:

Subd. 19c. **Corporations; additions to federal taxable income.** For corporations, there shall be added to federal taxable income:

(1) the amount of any deduction taken for federal income tax purposes for income, excise, or franchise taxes based on net income or related minimum taxes, including but not limited to the tax imposed under section 290.0922, paid by the corporation to Minnesota,

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

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

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

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

(5) the amount of any special deductions taken for federal income tax purposes under sections 241 to 247 and 965 of the Internal Revenue Code;

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

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

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

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

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

(11) any increase in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343;

(12) 80 percent of the depreciation deduction allowed under section 168(k)(1)(A) and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed

under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k)(1)(A) and (k)(4)(A) is allowed;

(13) 80 percent of the amount by which the deduction allowed by section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended through December 31, 2003;

(14) to the extent deducted in computing federal taxable income, the amount of the deduction allowable under section 199 of the Internal Revenue Code;

(15) the amount of expenses disallowed under section 290.10, subdivision 2; ~~and~~

(16) discharge of indebtedness income resulting from reacquisition of business indebtedness and deferred under section 108(i) of the Internal Revenue Code; and

(17) to the extent deducted in the computation of federal taxable income, contributions for which the taxpayer claims a credit under section 290.0682.

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

Sec. 4. **[290.0682] CREDIT FOR CONTRIBUTIONS TO LAND TRUSTS.**

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

(b) "Land trust" means a community land trust as defined in section 462A.30, subdivision 8, and as used in section 462A.31.

(c) "Qualified city" means a city in Minnesota in which:

(1) the average vacancy rate for rental housing located in the city, and in any other city located within 25 miles or less of the boundaries of the city, has been five percent or less for at least the prior two-year period;

(2) fewer than five residential units per 1,000 residents were constructed in the city in each of the last ten years; and

(3) the population exceeds 1,500.

(d) "Qualified employee" means a person employed by a qualified taxpayer at a location within 25 miles of the boundaries of the qualified city in which the land trust owns land.

(e) "Qualified housing" means newly constructed owner-occupied housing built on land owned by a land trust and offered for sale at a price at or below 250 percent of the median sale price for owner-occupied housing in the county.

(f) "Qualified taxpayer" means a taxpayer with at least 25 employees.

Subd. 2. **Credit allowed.** A qualified taxpayer is allowed a credit against the tax imposed under this chapter for contributions to land trusts used to buy land and develop qualified housing in qualified cities. The credit equals five percent of the amount contributed. A qualified taxpayer may claim the credit in each of the 20 years following the year of the contribution, but may not claim the credit in any year in which the number of qualified employees is less than the number employed in the year of the contribution.

Subd. 3. **Proportional credits.** A qualified taxpayer that is a pass-through entity must provide each investor a statement indicating the investor's share of the credit amount allowed to the pass-through entity based on its share of the pass-through entity's capital assets at the time of the contribution.

Subd. 4. **Credit refundable.** If the amount of the credit under this section for any taxable year exceeds the qualified taxpayer's liability for tax under this chapter, the commissioner shall refund the excess to the taxpayer. An amount sufficient to pay the refunds required by this section is appropriated to the commissioner from the general fund.

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

Sec. 5. **PROMOTION OF CREATION OF LAND TRUSTS.**

By January 1, 2016, the commissioner of the Minnesota Housing Finance Agency shall develop and implement a plan for promoting and facilitating the creation of land trusts, focusing on areas of the state with shortages of workforce housing, demonstrated by either low rental vacancy rates or low rates of new construction of owner-occupied housing.

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

Sec. 6. **APPROPRIATION.**

$5,000,000 in fiscal year 2016 is appropriated from the general fund to the commissioner of employment and economic development to make grants under the workforce housing grants pilot program in Minnesota Statutes, section 116J.549. Any unused amounts carryover and remain available through fiscal year 2018. The base for fiscal year 2018 is zero. Of these amounts, the commissioner of employment and economic development may use up to five percent for administrative expenses.

ARTICLE 5

STEM AND LONG-TERM CARE EMPLOYMENT INCENTIVE

Section 1. **[290.0682] CREDIT FOR NEW STEM AND LONG-TERM CARE EMPLOYEES.**

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

(b) "Eligible individual" means an individual who:

(1) graduated from a postsecondary educational institution with a qualifying degree; and

(2) began employment after June 30, 2015, in a qualified economic development region with an employer with a primary business activity in a qualified field.

(c) "Maximum qualifying amount" means the allowance for tuition and fees set in law as required under section 136A.121, subdivision 6, for the calendar year in which the eligible individual obtained the qualifying degree. For an eligible individual with a qualifying degree from a two-year postsecondary educational institution, the maximum qualifying amount equals the allowance for tuition and fees specified for a two-year institution, and for an eligible individual with a qualifying degree from a four-year postsecondary educational institution, the maximum qualifying amount equals the allowance for tuition and fees specified for a four-year institution.

(d) "Qualifying degree" means a two- or four-year degree from an accredited postsecondary educational institution in one of the following fields:

(1) science;

(2) technology;

(3) engineering;

(4) mathematics; or

(5) medicine.

(e) "Qualified economic development region" means an economic development region in which the average number of job vacancies per capita in qualified fields for the second and fourth quarters of the preceding calendar year exceeds by ten percent or more the statewide average number of job vacancies per capita in qualified fields for the second and fourth quarters of the preceding calendar year, as determined by the commissioner of employment and economic development based on data reported in the Job Vacancy Survey.

(f) "Qualified field" means any one of the fields of science, technology, engineering, mathematics, or long-term care.

Subd. 2. **Credit allowed.** An eligible individual is allowed a credit against the tax imposed under this chapter equal to 50 percent of the maximum qualifying amount. The maximum credit allowed in a taxable year is $5,000 for eligible individuals with four-year degrees, and $2,500 for eligible individuals with two-year degrees. An individual may claim the credit under this section in the taxable year in which the individual first becomes eligible and in each of the four following taxable years.

Subd. 3. **Determination of qualified economic development regions.** On or before July 1, 2015, the commissioner of employment and economic development must identify qualified economic development regions for taxable years beginning in 2015, based on job vacancy data for calendar year 2014. On or before February 15 of each subsequent year, the commissioner of employment and economic development must identify qualified economic development regions for the current taxable year, based on job vacancy data for the previous calendar year. The commissioner of employment and economic development must make the list of qualified economic development regions available on the department Web site and must share the list with the commissioner of revenue, who also must make the list available on the department Web site.

Subd. 4. **Credit refundable.** If the amount of the credit under this section for any taxable year exceeds the claimant's liability for tax under this chapter, the commissioner shall refund the excess to the claimant. An amount sufficient to pay the refunds required by this section is appropriated to the commissioner from the general fund.

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

ARTICLE 6

STATE AGENCY PENALTY REFORM

Section 1. Minnesota Statutes 2014, section 16A.1285, is amended by adding a subdivision to read:

Subd. 6. **All penalties deposited in general fund.** (a) Except as provided in paragraph (b), and notwithstanding any law to the contrary, any civil or administrative penalty or fine collected by a state agency must be deposited in the general fund.

(b) Paragraph (a) does not apply to a civil or administrative penalty or fine if:

(i) the constitution requires that the proceeds be deposited in a dedicated fund; or

(ii) the revenue from the civil or administrative penalty or fine is deposited by law in a fund other than the general fund and is not statutorily appropriated to a state agency.

Sec. 2. Minnesota Statutes 2014, section 17.102, subdivision 4, is amended to read:

Subd. 4. **Minnesota grown account.** The Minnesota grown account is established as an account in the agricultural fund. License fee receipts ~~and penalties~~ collected under this section must be deposited in the agricultural fund and credited to the Minnesota grown account. The money in the account is continuously appropriated to the commissioner for the direct costs of implementing the Minnesota grown program. Penalties must be deposited in the general fund.

Sec. 3. Minnesota Statutes 2014, section 17.102, subdivision 4a, is amended to read:

Subd. 4a. **Funding sources.** The Minnesota grown account shall consist of license fees, ~~penalties,~~ advertising revenue, revenue from the development and sale of promotional materials, gifts, and appropriations.

Sec. 4. Minnesota Statutes 2014, section 17A.11, is amended to read:

17A.11 FEES FOR LIVESTOCK WEIGHING.

The commissioner shall prescribe the fee necessary to cover the cost of state weighing, to be assessed and collected from the seller in the manner the commissioner may prescribe. The fee assessed must be the same, and the manner of collection of the fee must be uniform at all facilities. At any location where state weighing is performed in accordance with this chapter and the total annual fees collected are insufficient to pay the cost of the weighing, the annual deficit shall be assessed and collected in the manner the commissioner may prescribe. Additional money arising from the weighing of animals by the commissioner, which has been collected and retained by any person, shall be paid on demand to the commissioner. Except for penalty revenue, all money collected by the commissioner shall be deposited in the agricultural fund and credited to the livestock weighing account. Penalties must be deposited in the general fund. Money in the account is appropriated to the commissioner to carry out the duties of section 17A.10 and for activities and duties required under chapter 31B.

Sec. 5. Minnesota Statutes 2014, section 18B.05, is amended to read:

18B.05 PESTICIDE REGULATORY ACCOUNT.

Subdivision 1. **Establishment.** A pesticide regulatory account is established in the agricultural fund. Fees~~,~~ and assessments~~, and penalties~~ collected under this chapter must be deposited in the agricultural fund and credited to the pesticide regulatory account. Penalties must be deposited in the general fund. Money in the account, including interest, is appropriated to the commissioner for the administration and enforcement of this chapter.

Sec. 6. Minnesota Statutes 2014, section 18C.131, is amended to read:

18C.131 FERTILIZER INSPECTION ACCOUNT.

A fertilizer inspection account is established in the state treasury. The fees collected under this chapter and interest attributable to money in the account must be deposited in the state treasury and credited to the fertilizer inspection account in the agricultural fund. Penalties collected under this chapter or chapter 18D must be deposited in the general fund. Money in the account, including interest earned, is appropriated to the commissioner for the administration and enforcement of this chapter.

Sec. 7. Minnesota Statutes 2014, section 18D.323, is amended to read:

18D.323 CREDITING OF PENALTIES, FEES, AND COSTS.

Except for money repaid to the agricultural chemical response and reimbursement account under section 18E.04, subdivision 6, ~~penalties,~~ cost reimbursements, fees, and other moneys collected under this chapter must be deposited into the state treasury and credited to the appropriate pesticide or fertilizer regulatory account. Penalties must be deposited in the general fund.

Sec. 8. Minnesota Statutes 2014, section 18G.10, subdivision 2, is amended to read:

Subd. 2. **Disposition and use of money received.** All fees ~~and penalties~~ collected under this chapter and interest attributable to the money in the account must be deposited in the state treasury and credited to the nursery and phytosanitary account in the agricultural fund. Penalties must be deposited in the general fund. Money in the account, including interest earned, is appropriated to the commissioner for the administration and enforcement of this chapter.

Sec. 9. Minnesota Statutes 2014, section 18H.17, is amended to read:

18H.17 NURSERY AND PHYTOSANITARY ACCOUNT.

A nursery and phytosanitary account is established in the state treasury. The fees ~~and penalties~~ collected under this chapter and interest attributable to money in the account must be deposited in the state treasury and credited to the nursery and phytosanitary account in the agricultural fund. Penalties must be deposited in the general fund. Money in the account, including interest earned, is annually appropriated to the commissioner for the administration and enforcement for this chapter.

Sec. 10. Minnesota Statutes 2014, section 18J.09, is amended to read:

18J.09 CREDITING OF PENALTIES, FEES, AND COSTS.

~~Penalties,~~ Cost reimbursements, fees, and other money collected under this chapter must be deposited into the state treasury and credited to the appropriate nursery and phytosanitary or seed account. Penalties must be deposited in the general fund.

Sec. 11. Minnesota Statutes 2014, section 21.115, is amended to read:

21.115 FEES; SEED POTATO INSPECTION ACCOUNT.

The commissioner shall fix the fees for all inspections and certifications in such amounts as from time to time may be found necessary to pay the expenses of carrying out and enforcing the purposes of sections 21.111 to 21.122, with a reasonable reserve, and shall require the same to be paid before such inspections or certifications are made. All moneys collected as fees ~~or as penalties for violations of any of the provisions of such~~ under these sections shall be paid into the agricultural fund ~~and~~, credited to the seed potato inspection account ~~of the commissioner, which account is hereby created~~, and appropriated to the commissioner for ~~carrying out the~~ purposes of sections 21.111 to 21.122. Interest, if any, received on deposits of these moneys shall be credited to the account, and there shall be paid into this fund any sum provided by the legislature for the purpose of carrying out the provisions of such sections. Penalties must be deposited in the general fund.

Sec. 12. Minnesota Statutes 2014, section 21.92, is amended to read:

21.92 SEED INSPECTION ACCOUNT.

There is established in the agricultural fund an account known as the seed inspection account. Fees ~~and penalties~~ collected by the commissioner under sections 21.80 to 21.92 and interest attributable to money in the account shall be deposited into this account. Penalties must be deposited in the general fund. Money in the account, including interest earned, is appropriated to the commissioner for the administration and enforcement of sections 21.80 to 21.92.

Sec. 13. Minnesota Statutes 2014, section 25.39, subdivision 4, is amended to read:

Subd. 4. **Commercial feed inspection account.** A commercial feed inspection account is established in the agricultural fund. Fees ~~and penalties~~ collected under this chapter and interest attributable to money in the account must be deposited in the agricultural fund and credited to the commercial feed inspection account. Penalties must

be deposited in the general fund. Money in the account, including interest earned, is appropriated to the commissioner for the administration and enforcement of this chapter.

Sec. 14. Minnesota Statutes 2014, section 27.041, subdivision 3, is amended to read:

Subd. 3. **Account; appropriation.** A wholesale produce dealers account is created in the agricultural fund. All fees~~,~~ and charges~~, and penalties~~ collected under sections 27.01 to 27.069 and 27.11 to 27.19, including interest attributable to that money, must be deposited in the wholesale produce dealers account. Penalties must be deposited in the general fund. Money in the account is appropriated to the commissioner for the purposes of sections 27.01 to 27.069 and 27.11 to 27.19.

Sec. 15. Minnesota Statutes 2014, section 32.21, subdivision 4, is amended to read:

Subd. 4. **Penalties.** (a) A person, other than a milk producer, who violates this section is guilty of a misdemeanor or subject to a civil penalty up to $1,000.

(b) A milk producer may not change milk plants within 30 days, without permission of the commissioner, after receiving notification from the commissioner under paragraph (c) or (d) that the milk producer has violated this section.

(c) A milk producer who violates subdivision 3, clause (1), (2), (3), (4), or (5), is subject to clauses (1) to (3) of this paragraph.

(1) Upon notification of the first violation in a 12-month period, the producer must meet with the qualified dairy sanitarian to initiate corrective action within 30 days.

(2) Upon the second violation within a 12-month period, the producer is subject to a civil penalty of $300. The commissioner shall notify the producer by certified mail stating the penalty is payable in 30 days, the consequences of failure to pay the penalty, and the consequences of future violations.

(3) Upon the third violation within a 12-month period, the producer is subject to an additional civil penalty of $300 and possible revocation of the producer's permit or certification. The commissioner shall notify the producer by certified mail that all civil penalties owed must be paid within 30 days and that the commissioner is initiating administrative procedures to revoke the producer's permit or certification to sell milk for at least 30 days.

(d) The producer's shipment of milk must be immediately suspended if the producer is identified as an individual source of milk containing residues causing a bulk load of milk to test positive in violation of subdivision 3, clause (6) or (7). The Grade A or manufacturing grade permit must be converted to temporary status for not more than 30 days and shipment may resume only after subsequent milk has been sampled by

the commissioner or the commissioner's agent and found to contain no residues above established tolerances or safe levels.

The Grade A or manufacturing grade permit may be restored if the producer completes the "Milk and Dairy Beef Residue Prevention Protocol" with a licensed veterinarian, displays the signed certificate in the milkhouse, and sends verification to the commissioner within the 30-day temporary permit status period. If the producer does not comply within the temporary permit status period, the Grade A or manufacturing grade permit must be suspended. A milk producer whose milk supply is in violation of subdivision 3, clause (6) or (7), and has caused a bulk load to test positive is subject to clauses (1) to (3) of this paragraph.

(1) For the first violation in a 12-month period, the penalty is the value of all milk on the contaminated load plus any costs associated with the disposition of the contaminated load. Future pickups are prohibited until subsequent testing reveals the milk is free of drug residue. A farm inspection must be completed by a qualified dairy sanitarian and the producer to determine the cause of the residue and actions required to prevent future violations.

(2) For the second violation in a 12-month period, the penalty is the value of all milk on the contaminated load plus any costs associated with the disposition of the contaminated load. Future pickups are prohibited until subsequent testing reveals the milk is free of drug residue. A farm inspection must be completed by a qualified dairy sanitarian to determine the cause of the residue and actions required to prevent future violations.

(3) For the third or subsequent violation in a 12-month period, the penalty is the value of all milk on the contaminated load plus any costs associated with the disposition of the contaminated load. Future pickups are prohibited until subsequent testing reveals the milk is free of drug residue. The commissioner or the commissioner's agent shall also notify the producer by certified mail that the commissioner is initiating administrative procedures to revoke the producer's permit or certification to sell milk for a minimum of 30 days.

(4) If a bulk load of milk tests negative for residues and there is a positive producer sample on the load, no civil penalties may be assessed to the producer. The plant must report the positive result within 24 hours and reject further milk shipments from that producer until the producer's milk tests negative. A farm inspection must be completed by a qualified dairy sanitarian to determine the cause of the residue and actions required to prevent future violations. The department shall suspend the producer's permit and count the violation on the producer's record. The Grade A or manufacturing grade permit must be converted to temporary status for not more than 30 days during which time the producer must review the "Milk and Dairy Beef Residue Prevention Protocol" with a

licensed veterinarian, display the signed certificate in the milkhouse, and send verification to the commissioner. If these conditions are met, the Grade A or manufacturing grade permit must be reinstated. If the producer does not comply within the temporary permit status period, the Grade A or manufacturing grade permit must be suspended.

(e) A milk producer that has been certified as completing the "Milk and Dairy Beef Residue Prevention Protocol" within 12 months of the first violation of subdivision 3, clause (7), need only review the cause of the violation with a field service representative within three days to maintain Grade A or manufacturing grade permit and shipping status if all other requirements of this section are met.

(f) Civil penalties collected under this section must be deposited in the ~~milk inspection services account established in this chapter~~ general fund.

Sec. 16. Minnesota Statutes 2014, section 34.07, is amended to read:

34.07 BEVERAGE INSPECTION ACCOUNT; APPROPRIATION.

A beverage inspection account is created in the agricultural fund. All fees ~~and fines~~ collected under this chapter shall be credited to the beverage inspection account. Penalties must be deposited in the general fund. Money in the account is appropriated to the commissioner for inspection and supervision under this chapter.

Sec. 17. Minnesota Statutes 2014, section 62J.536, subdivision 2b, is amended to read:

Subd. 2b. **Compliance and investigations.** (a) The commissioner of health shall, to the extent practicable, seek the cooperation of health care providers, health care clearinghouses, and group purchasers in obtaining compliance with this section and may provide technical assistance to health care providers, health care clearinghouses, and group purchasers.

(b) A person who believes a health care provider, health care clearinghouse, or group purchaser is not complying with the requirements of this section may file a complaint with the commissioner of health. Complaints filed under this section must meet the following requirements:

(1) A complaint must be filed in writing, either on paper or electronically.

(2) A complaint must name the person that is the subject of the complaint and describe the acts or omissions believed to be in violation of this section.

(3) A complaint must be filed within 180 days of when the complainant knew or should have known that the act or omission complained of occurred.

(4) The commissioner may prescribe additional procedures for the filing of complaints as required to satisfy the requirements of this section.

(c) The commissioner of health may investigate complaints filed under this section. The investigation may include a review of the pertinent policies, procedures, or practices of the health care provider, health care clearinghouse, or group purchaser and of the circumstances regarding any alleged violation. At the time of initial written communication with the health care provider, health care clearinghouse, or group purchaser about the complaint, the commissioner of health shall describe the acts or omissions that are the basis of the complaint. The commissioner may conduct compliance reviews to determine whether health care providers, health care clearinghouses, and group purchasers are complying with this section.

(d) Health care providers, health care clearinghouses, and group purchasers must cooperate with the commissioner of health if the commissioner undertakes an investigation or compliance review of the policies, procedures, or practices of the health care provider, health care clearinghouse, or group purchaser to determine compliance with this section. This cooperation includes, but is not limited to:

(1) A health care provider, health care clearinghouse, or group purchaser must permit access by the commissioner of health during normal business hours to its facilities, books, records, accounts, and other sources of information that are pertinent to ascertaining compliance with this section.

(2) If any information required of a health care provider, health care clearinghouse, or group purchaser under this section is in the exclusive possession of any other agency, institution, or person and the other agency, institution, or person fails or refuses to furnish the information, the health care provider, health care clearinghouse, or group purchaser must so certify and set forth what efforts it has made to obtain the information.

(3) Any individually identifiable health information obtained by the commissioner of health in connection with an investigation or compliance review under this section may not be used or disclosed by the commissioner of health, except as necessary for ascertaining or enforcing compliance with this section.

(e) If an investigation of a complaint indicates noncompliance, the commissioner of health shall attempt to reach a resolution of the matter by informal means. Informal means may include demonstrated compliance or a completed corrective action plan or other agreement. If the matter is resolved by informal means, the commissioner of health shall so inform the health care provider, health care clearinghouse, or group purchaser and, if the matter arose from a complaint, the complainant, in writing. If the matter is not resolved by informal means, the commissioner of health shall:

(1) inform the health care provider, health care clearinghouse, or group purchaser and provide an opportunity for the health care provider, health care clearinghouse, or group

purchaser to submit written evidence of any mitigating factors or other considerations. The health care provider, health care clearinghouse, or group purchaser must submit any such evidence to the commissioner of health within 30 calendar days of receipt of the notification; and

(2) inform the health care provider, health care clearinghouse, or group purchaser, through a notice of proposed determination according to paragraph (i), that the commissioner of health finds that a civil money penalty should be imposed.

(f) If, after an investigation or a compliance review, the commissioner of health determines that further action is not warranted, the commissioner of health shall so inform the health care provider, health care clearinghouse, or group purchaser and, if the matter arose from a complaint, the complainant, in writing.

(g) A health care provider, health care clearinghouse, or group purchaser may not threaten, intimidate, coerce, harass, discriminate against, or take any other retaliatory action against any individual or other person for:

(1) filing of a complaint under this section;

(2) testifying, assisting, or participating in an investigation, compliance review, proceeding, or contested case proceeding under this section; or

(3) opposing any act or practice made unlawful by this section, provided the individual or person has a good faith belief that the practice opposed is unlawful, and the manner of opposition is reasonable and does not involve an unauthorized disclosure of a patient's health information.

(h) The commissioner of health may impose a civil money penalty on a health care provider, health care clearinghouse, or group purchaser if the commissioner of health determines that the health care provider, health care clearinghouse, or group purchaser has violated this section. If the commissioner of health determines that more than one health care provider, health care clearinghouse, or group purchaser was responsible for a violation, the commissioner of health may impose a civil money penalty against each health care provider, health care clearinghouse, or group purchaser. The amount of a civil money penalty shall be determined as follows:

(1) The amount of a civil money penalty shall be up to $100 for each violation, but not exceed $25,000 for identical violations during a calendar year.

(2) In the case of continuing violation of this section, a separate violation occurs each business day that the health care provider, health care clearinghouse, or group purchaser is in violation of this section.

(3) In determining the amount of any civil money penalty, the commissioner of health may consider as aggravating or mitigating factors, as appropriate, any of the following:

(i) the nature of the violation, in light of the purpose of the goals of this section;

(ii) the time period during which the violation occurred;

(iii) whether the violation hindered or facilitated an individual's ability to obtain health care;

(iv) whether the violation resulted in financial harm;

(v) whether the violation was intentional;

(vi) whether the violation was beyond the direct control of the health care provider, health care clearinghouse, or group purchaser;

(vii) any history of prior compliance with the provisions of this section, including violations;

(viii) whether and to what extent the provider, health care clearinghouse, or group purchaser has attempted to correct previous violations;

(ix) how the health care provider, health care clearinghouse, or group purchaser has responded to technical assistance from the commissioner of health provided in the context of a compliance effort; or

(x) the financial condition of the health care provider, health care clearinghouse, or group purchaser including, but not limited to, whether the health care provider, health care clearinghouse, or group purchaser had financial difficulties that affected its ability to comply or whether the imposition of a civil money penalty would jeopardize the ability of the health care provider, health care clearinghouse, or group purchaser to continue to provide, or to pay for, health care.

(i) If a penalty is proposed according to this section, the commissioner of health must deliver, or send by certified mail with return receipt requested, to the respondent written notice of the commissioner of health's intent to impose a penalty. This notice of proposed determination must include:

(1) a reference to the statutory basis for the penalty;

(2) a description of the findings of fact regarding the violations with respect to which the penalty is proposed;

(3) the amount of the proposed penalty;

(4) any circumstances described in paragraph (i) that were considered in determining the amount of the proposed penalty;

(5) instructions for responding to the notice, including a statement of the respondent's right to a contested case proceeding and a statement that failure to request a contested case proceeding within 30 calendar days permits the imposition of the proposed penalty; and

(6) the address to which the contested case proceeding request must be sent.

(j) A health care provider, health care clearinghouse, or group purchaser may contest whether the finding of facts constitute a violation of this section, according to a contested case proceeding as set forth in sections 14.57 to 14.62, subject to appeal according to sections 14.63 to 14.68.

(k) Any data collected by the commissioner of health as part of an active investigation or active compliance review under this section are classified as protected nonpublic data pursuant to section 13.02, subdivision 13, in the case of data not on individuals and confidential pursuant to section 13.02, subdivision 3, in the case of data on individuals. Data describing the final disposition of an investigation or compliance review are classified as public.

(l) Civil money penalties imposed and collected under this subdivision shall be deposited ~~into a revolving fund and are appropriated to the commissioner of health for the purposes of this subdivision, including the provision of technical assistance~~ in the general fund.

Sec. 18. Minnesota Statutes 2014, section 116J.66, is amended to read:

116J.66 BUSINESS ASSISTANCE; COMPLIANCE ASSISTANCE GRANT PROGRAM; APPROPRIATION.

(a) The commissioner shall establish within the department a business assistance center. The center shall consist of (1) a Bureau of Small Business which shall have as its sole function the provision of assistance to small businesses in the state and (2) a bureau of licenses to assist all businesses in obtaining state licenses and permits. This center shall be accorded at least equal status with the other major operating units within the department. A small business advocate office is established in the Business Assistance Center to provide one-stop access for small businesses in need of information or assistance in obtaining or renewing licenses, meeting state regulatory requirements, or resolving disputes with state agencies.

(b) The small business advocate office may award a compliance assistance grant to a small business with 15 or fewer employees if the small business:

(1) unknowingly violated state law and paid a monetary penalty to a state agency; or

(2) was required by a state agency to make a substantial investment in equipment in order to comply with state law. A small business owner must apply to the small business advocate office in the form required by the small business advocate office. A small business must not receive more than one compliance assistance grant.

(c) Each fiscal year, an amount equal to five percent of all penalties and fines collected by all state agencies in the prior fiscal year and deposited in the general fund as

required under section 16A.1285, subdivision 6, is appropriated from the general fund to the commissioner of employment and economic development to award grants under the compliance assistance grant program.

Sec. 19. Minnesota Statutes 2014, section 169.685, subdivision 5, is amended to read:

Subd. 5. **Violation; petty misdemeanor.** (a) Every motor vehicle operator, when transporting a child who is both under the age of eight and shorter than four feet nine inches on the streets and highways of this state in a motor vehicle equipped with factory-installed seat belts, shall equip and install for use in the motor vehicle, according to the manufacturer's instructions, a child passenger restraint system meeting federal motor vehicle safety standards.

(b) No motor vehicle operator who is operating a motor vehicle on the streets and highways of this state may transport a child who is both under the age of eight and shorter than four feet nine inches in a seat of a motor vehicle equipped with a factory-installed seat belt, unless the child is properly fastened in the child passenger restraint system. Any motor vehicle operator who violates this subdivision is guilty of a petty misdemeanor and may be sentenced to pay a fine of not more than $50. The fine may be waived or the amount reduced if the motor vehicle operator produces evidence that within 14 days after the date of the violation a child passenger restraint system meeting federal motor vehicle safety standards was purchased or obtained for the exclusive use of the operator.

(c) At the time of issuance of a citation under this subdivision, a peace officer may provide to the violator information on obtaining a free or low-cost child passenger restraint system.

(d) The fines collected for violations of this subdivision must be deposited in the ~~state treasury and credited to a special account to be known as the Minnesota child passenger restraint and education account~~ general fund.

(e) For the purposes of this section, "child passenger restraint system" means any device that meets the standards of the United States Department of Transportation; is designed to restrain, seat, or position children; and includes a booster seat.

Sec. 20. Minnesota Statutes 2014, section 169.685, subdivision 7, is amended to read:

Subd. 7. **Appropriation; special account.** The Minnesota child passenger restraint and education account is created in the state treasury, consisting of ~~fines collected under subdivision 5 and other~~ money appropriated or donated. The money in the account is annually appropriated to the commissioner of public safety to be used to provide child passenger restraint systems to families in financial need, school districts and child care

providers that provide for the transportation of pupils to and from school using type III vehicles or school buses with a gross vehicle weight rating of 10,000 pounds or less, and to provide an educational program on the need for and proper use of child passenger restraint systems. Information on the commissioner's activities and expenditure of funds under this section must be available upon request.

Sec. 21. Minnesota Statutes 2014, section 169.871, subdivision 5, is amended to read:

Subd. 5. **Fines; proceeds allocated.** Any penalty imposed and fines collected ~~pursuant to~~ under this section ~~shall be disposed of as provided in section 299D.03, subdivision 5, with the following exceptions:~~ must be deposited in the general fund.

~~(a) If the violation occurs in the county, and the county attorney appears in the action, the remaining five-eighths shall be credited to the highway user tax distribution fund.~~

~~(b) If the violation occurs within the municipality, and the city attorney appears in the action, the remaining one-third shall be paid to the highway user tax distribution fund.~~

~~(c) Except as provided in paragraph (d), when the attorney general appears in the action, all penalties imposed and fines collected shall be credited to the highway user tax distribution fund.~~

~~(d) If the violation occurs in Hennepin County, and the arrest or apprehension is made by the county sheriff, three-eighths of the civil penalty shall be credited to the general revenue fund of the county and the remaining five-eighths shall be credited to the highway user tax distribution fund.~~

Sec. 22. Minnesota Statutes 2014, section 169.999, subdivision 5, is amended to read:

Subd. 5. **Fines; disbursement.** (a) A person who commits an administrative violation under subdivision 1 must pay a fine of $60.

(b) ~~Except as provided in paragraph (c), two-thirds of~~ A fine collected under this section must be ~~credited to the general revenue fund of the local unit of government that employs the peace officer who issued the citation and one-third must be~~ transferred to the commissioner of management and budget to be deposited in the state general fund. ~~A local unit of government receiving fine proceeds under this section must use at least one-half of the funds for law enforcement purposes. The funds must be used to supplement but not supplant any existing law enforcement funding.~~

~~(c) For fines collected under this section from administrative citations issued by state patrol troopers, one-third must be credited to the general fund of the local unit of government or entity that collects the fine and provides a hearing officer and two-thirds~~

~~must be transferred to the commissioner of management and budget to be deposited in the state general fund.~~

Sec. 23. Minnesota Statutes 2014, section 174.30, subdivision 8, is amended to read:

Subd. 8. **Administrative penalties.** (a) The commissioner may issue an order requiring violations of this section and the operating standards adopted under this section to be corrected and assessing monetary penalties of up to $1,000 for all violations identified during a single inspection, investigation, or audit. Section 221.036 applies to administrative penalty orders issued under this section or section 174.315. The commissioner shall suspend, without a hearing, a special transportation service provider's certificate of compliance for failure to pay, or make satisfactory arrangements to pay, an administrative penalty when due.

(b) Penalties collected under this section must be deposited in the ~~state treasury and credited to the trunk highway~~ general fund.

Sec. 24. Minnesota Statutes 2014, section 174.315, subdivision 3, is amended to read:

Subd. 3. **Penalties.** Notwithstanding section 174.30, subdivision 8, the commissioner of transportation may issue an order assessing a monetary penalty of up to $10,000 for a violation of this section. The minimum penalty for a third violation of this section within three years shall be revocation of the certificate issued under section 174.30, subdivision 4a. A person whose certificate is revoked under this section may appeal the commissioner's action in a contested case proceeding under chapter 14. A penalty collected under this subdivision must be deposited in the general fund.

Sec. 25. Minnesota Statutes 2014, section 221.036, subdivision 14, is amended to read:

Subd. 14. **~~Credited to trunk highway fund~~ Deposit of penalties.** Penalties collected under this section must be deposited in the ~~state treasury and credited to the trunk highway~~ general fund.

Sec. 26. Minnesota Statutes 2014, section 221.84, subdivision 3, is amended to read:

Subd. 3. **Administrative penalties.** The commissioner may issue an order requiring violations of statutes, rules, and local ordinances governing operation of limousines to be corrected and assessing monetary penalties up to $1,000. The commissioner may suspend or revoke a permit for violation of applicable statutes and rules and, upon the request of a political subdivision, may immediately suspend a permit for multiple violations of local ordinances. The commissioner shall immediately suspend a permit for failure to maintain

required insurance and shall not restore the permit until proof of insurance is provided. A person whose permit is revoked or suspended or who is assessed an administrative penalty may appeal the commissioner's action in a contested case proceeding under chapter 14. A penalty collected under this subdivision must be deposited in the general fund.

Sec. 27. Minnesota Statutes 2014, section 239.785, subdivision 6, is amended to read:

Subd. 6. **Liquefied petroleum gas account.** A liquefied petroleum gas account in the special revenue fund is established in the state treasury. Fees ~~and penalties~~ collected under this section must be deposited in the state treasury and credited to the liquefied petroleum gas account. Penalties must be deposited in the general fund. Money in that account, including interest earned, is appropriated to the commissioner of commerce for programs to improve the energy efficiency of residential liquefied petroleum gas heating equipment in low-income households, and, when necessary, to provide weatherization services to the homes.

Sec. 28. Minnesota Statutes 2014, section 297F.21, subdivision 3, is amended to read:

Subd. 3. **Inventory; judicial determination; appeal; disposition of seized property.** (a) Within ten days after the seizure of any alleged contraband, the person making the seizure shall serve by certified mail an inventory of the property seized on the person from whom the seizure was made, if known, and on any person known or believed to have any right, title, interest, or lien in the property, at the last known address, and file a copy with the commissioner. The notice must include an explanation of the right to demand a judicial forfeiture determination.

(b) Within 60 days after the date of service of the inventory, which is the date of mailing, the person from whom the property was seized or any person claiming an interest in the property may file a demand for a judicial determination of the question as to whether the property was lawfully subject to seizure and forfeiture. The demand must be in the form of a civil complaint and must be filed with the court administrator in the county in which the seizure occurred, together with proof of service of a copy of the complaint on the commissioner of revenue, and the standard filing fee for civil actions unless the petitioner has the right to sue in forma pauperis under section 563.01. If the value of the seized property is $10,000 or less, the claimant may file an action in conciliation court for recovery of the property. If the value of the seized property is less than $500, the claimant does not have to pay the conciliation court filing fee.

(c) The complaint must be captioned in the name of the claimant as plaintiff and the seized property as defendant, and must state with specificity the grounds on which

the claimant alleges the property was improperly seized and the plaintiff's interest in the property seized. No responsive pleading is required of the commissioner, and no court fees may be charged for the commissioner's appearance in the matter. The proceedings are governed by the Rules of Civil Procedure. Notwithstanding any law to the contrary, an action for the return of property seized under this section may not be maintained by or on behalf of any person who has been served with an inventory unless the person has complied with this subdivision. The court shall decide whether the alleged contraband is contraband, as defined in subdivision 1. The court shall hear the action without a jury and shall try and determine the issues of fact and law involved.

(d) When a judgment of forfeiture is entered, unless the judgment is stayed pending an appeal, the commissioner:

(1) may authorize the forfeited property to be used for the purpose of enforcing a criminal provision of state or federal law;

(2) shall cause forfeited cigarette packages or tobacco products not used under clause (1) to be destroyed and products used under clause (1) to be destroyed upon the completion of use; and

(3) may cause the forfeited property, other than forfeited cigarette packages or tobacco products, to be sold at public auction as provided by law.

The person making a sale, after deducting the expense of keeping the property, the fee for seizure, and the costs of the sale, shall pay all liens according to their priority, which are established as being bona fide and as existing without the lienor having any notice or knowledge that the property was being used or was intended to be used for or in connection with the violation. The balance of the proceeds must be paid 75 percent to the ~~Department of Revenue for deposit as a supplement to its operating fund or similar fund for official use~~ general fund, and 25 percent to the county attorney or other prosecuting agency that handled the court proceeding, if there is one, for deposit as a supplement to its operating fund or similar fund for prosecutorial purposes. If there is no prosecuting authority involved in the forfeiture, the 25 percent of the proceeds otherwise designated for the prosecuting authority must be deposited into the general fund.

(e) If no demand for judicial determination is made, the property seized is considered forfeited to the state by operation of law and may be disposed of by the commissioner as provided in the case of a judgment of forfeiture.

Sec. 29. Minnesota Statutes 2014, section 297G.20, subdivision 4, is amended to read:

Subd. 4. **Inventory; judicial determination; appeal; disposition of seized property.** (a) Within ten days after the seizure of alleged contraband, the person making

the seizure shall serve by certified mail an inventory of the property seized on the person from whom the property was seized, if known, and on any person known or believed to have any right, title, interest, or lien in the property, at the last known address, and file a copy with both the commissioners of revenue and public safety. The notice must include an explanation of the right to demand a judicial forfeiture determination.

(b) Within 60 days after the date of service of the inventory, which is the date of mailing, the person from whom the property was seized or any person claiming an interest in the property may file a demand for judicial determination of whether the property was lawfully subject to seizure and forfeiture. The demand must be in the form of a civil complaint and must be filed with the court administrator in the county in which the seizure occurred, together with proof of service of a copy of the complaint on the commissioner of revenue or public safety, and the standard filing fee for civil actions unless the petitioner has the right to sue in forma pauperis under section 563.01. If the value of the seized property or vehicle is $10,000 or less, the claimant may file an action in conciliation court for recovery of the property. If the value of the seized property is less than $500, the claimant does not have to pay the conciliation court filing fee.

(c) The complaint must be captioned in the name of the claimant as plaintiff and the seized property as defendant, and must state with specificity the grounds on which the claimant alleges the property was improperly seized and the plaintiff's interest in the property seized. No responsive pleading is required of the commissioner of revenue or public safety and no court fees may be charged for either commissioner's appearance in the matter. The proceedings are governed by the Rules of Civil Procedure. Notwithstanding any law to the contrary, an action for the return of property seized under this section may not be maintained by or on behalf of any person who has been served with an inventory unless the person has complied with this subdivision. The court shall hear the action without a jury and determine the issues of fact and law involved.

(d) If a judgment of forfeiture is entered, the seizing authority may, unless the judgment is stayed pending an appeal, either:

(1) cause the forfeited property, other than a vehicle, to be destroyed; or

(2) cause it to be sold at a public auction as provided by law.

The person making a sale, after deducting the expense of keeping the property, the fee for seizure, and the costs of the sale, shall pay all liens according to their priority, which are established as being bona fide and as existing without the lienor having any notice or knowledge that the property was being used or was intended to be used for or in connection with the violation. The balance of the proceeds must be paid 75 percent to the ~~seizing authority for deposit as a supplement to its operating fund or similar fund~~

~~for official use~~ general fund, and 25 percent to the county attorney or other prosecuting agency that handled the court proceeding, if there is one, for deposit as a supplement to its operating fund or similar fund for prosecutorial purposes. If there is no prosecuting authority involved in the forfeiture, the 25 percent of the proceeds otherwise designated for the prosecuting authority must be deposited into the general fund.

(e) If no demand is made, the property seized is considered forfeited to the seizing authority by operation of law and may be disposed of by the seizing authority as provided for a judgment of forfeiture.

Sec. 30. Minnesota Statutes 2014, section 341.321, is amended to read:

341.321 FEE SCHEDULE.

(a) The fee schedule for professional licenses issued by the commissioner is as follows:

(1) referees, $80 for each initial license and each renewal;

(2) promoters, $700 for each initial license and each renewal;

(3) judges and knockdown judges, $80 for each initial license and each renewal;

(4) trainers, $80 for each initial license and each renewal;

(5) ring announcers, $80 for each initial license and each renewal;

(6) seconds, $80 for each initial license and each renewal;

(7) timekeepers, $80 for each initial license and each renewal;

(8) combatants, $100 for each initial license and each renewal;

(9) managers, $80 for each initial license and each renewal; and

(10) ringside physicians, $80 for each initial license and each renewal.

In addition to the license fee and the late filing penalty fee in section 341.32, subdivision 2, if applicable, an individual who applies for a professional license on the same day the combative sporting event is held shall pay a late fee of $100 plus the original license fee of $120 at the time the application is submitted.

(b) The fee schedule for amateur licenses issued by the commissioner is as follows:

(1) referees, $80 for each initial license and each renewal;

(2) promoters, $700 for each initial license and each renewal;

(3) judges and knockdown judges, $80 for each initial license and each renewal;

(4) trainers, $80 for each initial license and each renewal;

(5) ring announcers, $80 for each initial license and each renewal;

(6) seconds, $80 for each initial license and each renewal;

(7) timekeepers, $80 for each initial license and each renewal;

(8) combatant, $60 for each initial license and each renewal;

(9) managers, $80 for each initial license and each renewal; and

(10) ringside physicians, $80 for each initial license and each renewal.

(c) The commissioner shall establish a contest fee for each combative sport contest. The professional combative sport contest fee is $1,500 per event or not more than four percent of the gross ticket sales, whichever is greater, as determined by the commissioner when the combative sport contest is scheduled, the amateur combative sport contest fee shall be $1,500 or not more than four percent of the gross ticket sales, whichever is greater. The commissioner shall consider the size and type of venue when establishing a contest fee. The commissioner may establish the maximum number of complimentary tickets allowed for each event by rule. A professional or amateur combative sport contest fee is nonrefundable.

(d) All fees ~~and penalties~~ collected by the commissioner must be deposited in the commissioner account in the special revenue fund. All penalties must be deposited in the general fund.

APPENDIX
Article locations in 15-1299

14.127 LEGISLATIVE APPROVAL REQUIRED.

Subdivision 1. **Cost thresholds.** An agency must determine if the cost of complying with a proposed rule in the first year after the rule takes effect will exceed $25,000 for: (1) any one business that has less than 50 full-time employees; or (2) any one statutory or home rule charter city that has less than ten full-time employees. For purposes of this section, "business" means a business entity organized for profit or as a nonprofit, and includes an individual, partnership, corporation, joint venture, association, or cooperative.

Subd. 2. **Agency determination.** An agency must make the determination required by subdivision 1 before the close of the hearing record, or before the agency submits the record to the administrative law judge if there is no hearing. The administrative law judge must review and approve or disapprove the agency determination under this section.

Subd. 3. **Legislative approval required.** If the agency determines that the cost exceeds the threshold in subdivision 1, or if the administrative law judge disapproves the agency's determination that the cost does not exceed the threshold in subdivision 1, any business that has less than 50 full-time employees or any statutory or home rule charter city that has less than ten full-time employees may file a written statement with the agency claiming a temporary exemption from the rules. Upon filing of such a statement with the agency, the rules do not apply to that business or that city until the rules are approved by a law enacted after the agency determination or administrative law judge disapproval.

Subd. 4. **Exceptions.** (a) Subdivision 3 does not apply if the administrative law judge approves an agency's determination that the legislature has appropriated money to sufficiently fund the expected cost of the rule upon the business or city proposed to be regulated by the rule.

(b) Subdivision 3 does not apply if the administrative law judge approves an agency's determination that the rule has been proposed pursuant to a specific federal statutory or regulatory mandate.

(c) This section does not apply if the rule is adopted under section 14.388 or under another law specifying that the rulemaking procedures of this chapter do not apply.

(d) This section does not apply to a rule adopted by the Public Utilities Commission.

(e) Subdivision 3 does not apply if the governor waives application of subdivision 3. The governor may issue a waiver at any time, either before or after the rule would take effect, but for the requirement of legislative approval. As soon as possible after issuing a waiver under this paragraph, the governor must send notice of the waiver to the speaker of the house and the president of the senate and must publish notice of this determination in the State Register.

Subd. 5. **Severability.** If an administrative law judge determines that part of a proposed rule exceeds the threshold specified in subdivision 1, but that a severable portion of a proposed rule does not exceed the threshold in subdivision 1, the administrative law judge may provide that the severable portion of the rule that does not exceed the threshold may take effect without legislative approval.