

FILE NUMBER: H.F. 984 **DATE:** April 13, 2015

Version: The delete everything amendment (A15-0452)

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Subject: Property Tax Division Report

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Article 1: Property Taxpayer Empowerment

Overview

Requires elections on city, county, and school district referenda questions related to spending to be conducted on the first Tuesday after the first Monday in November of even- or odd-numbered years, to coincide with the annual general election date. This does not affect elections of persons to office and provides an exception for a referendum to finance a local government's response to a disaster or emergency.

Establishes the Property Tax Payers' Empowerment Act which provides that if a county or city with a population of 500 or more increases its property tax levy in any year, the citizens may, through a reverse referendum, petition to vote on the levy increase for the following year at the general election.

Provides for a reverse referendum on whether a city (excluding first class cities), county, or urban town may enter into a lease of three or more years for real property with a housing and redevelopment authority (HRA), port authority, economic development authority (EDA), or other entity established by special law with powers similar to those authorities.

- 1 Capital project levy referendum (schools).** Requires an election in the law authorizing a school district to levy for a capital project to be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year instead of a date set by the school board. Provides an exception for a referendum to finance a district's response to a disaster or emergency.

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- 2 **Referendum revenue (schools).** Requires a school district to state on both its referendum ballot and on its notice to taxpayers the amounts of any board-approved local optional revenue (currently up to \$424 per pupil), board-approved referendum authority (up to \$300 per pupil), and previous voter-approved referendum authority.
- 3 **Questions (election law).** Requires a special election on a ballot question in a city or town be held only on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.
- 4 **Questions (schools).** Requires a special election on a ballot question in a school district to be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year. Strikes language saying when a special election cannot be held.
- 5 **Municipal acquisition procedures; notice; election (cities).** Requires a special election on the decision of a city to acquire property of a public utility to be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year. Under current law, the special election is held between 60 and 120 days after the resolution of the governing body is adopted.
- 6 **Municipal telecommunications services (cities).** Strikes option for a special election on decision of a city to establish a telephone exchange and specifies that an election be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.
- 7 **Notice of proposed property taxes.** Requires the Truth in Taxation notices mailed to taxpayers to include a statement at the top informing taxpayers that if the county's or city's final levy is greater than last year's levy they have the right to petition for a referendum on the next year's levy. Effective beginning with taxes payable in 2016.
- 8 **Certification of levy.** Provides for the maximum levy amount depending on the outcome of a referendum required under section 10. If the referendum on the proposed Truth in Taxation levy passes the maximum levy is the proposed levy amount. If it fails, the maximum allowed levy is the maximum alternative levy (equal to the county's nondebt levy from two years earlier plus its current proposed debt levy).
- 9 **Levy or bond referendum; ballot notice.** Strikes the option for a special election on a ballot question that will result in higher property taxes and requires the election to be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year. Provides an exception for a referendum to finance a local government's response to a disaster or emergency.
- 10 **Levy increase; reverse referendum authorized.** Provides for a future reverse referendum if a county or city increases its property tax levy.

Subd. 1. Citation. Names this section the Property Tax Payers' Empowerment Act.

Subd. 2. Definitions. Defines the local governments subject to this provision to be counties and all home rule charter and statutory cities. Also defines the maximum alternative levy allowed if a referendum fails to be the local government's nondebt levy from two years ago plus its proposed debt levy for the coming year.

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Subd. 3. Levy increase; reverse referendum authority. Allows a reverse referendum if a city or county increases its levy over the previous year. The referendum occurs if a petition for referendum, signed by 10 percent of the voters in the last general election is filed with the county auditor by June 30th. The referendum must be held at the general election or at a special election on the first Tuesday after the first Monday in November.

Subd. 4. Prohibition against new debt before the election. Prohibits a local government from issuing new debt from the time a petition is filed until after the referendum is held

Subd. 5. Ballot question; consequence of the vote. Lays out the format for the referendum question on the ballot; including the maximum levy if the referendum fails.

Effective beginning with taxes payable in 2016.

- 11 **Auditor to publish rates.** Requires that the newspaper notice of tax rates include notice if a city or county raised its general property tax levy and is therefore subject to a reverse referendum on its next proposed levy. Effective beginning with taxes payable in 2016.
- 12 **Contents of tax statements.** Requires that the current tax statements include notice if a city or county raised its general property tax levy and is therefore subject to a reverse referendum on its next proposed levy. Effective beginning with taxes payable in 2016.
- 13 **Contracts (cities).** Strikes the option for a special election held in response to a petition requesting a referendum relating to a contract for deed that the city proposes to enter into and requires the election to be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.
- 14 **Financing purchase of certain equipment (cities).** Strikes the option for a special election in response to a petition for an election (reverse referendum) on authorizing a city to issue certificates of indebtedness or capital notes, and requires the election to be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.
- 15 **Voter approval required; leases of public buildings.** Provides for a reverse referendum on whether a city (excluding first class cities), county, or urban town may enter into a lease of three or more years for real property with a housing and redevelopment authority (HRA), port authority, economic development authority (EDA), or other entity established by special law with powers similar to those authorities, when the real property was acquired or improved with obligations (bonds or other debt instruments) issued by the authority.
- 16 **Referendum in certain cases (municipal liquor stores).** Strikes the option for a special election on whether to issue debt backed by liquor store profits for projects of the city other than projects for the liquor store and requires the election to be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.
- 17 **Statutory city; on-sale and off-sale store.** Strikes the option for a special election on whether to use the liquor dispensary fund to contribute to construction of a community

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hospital in the city and requires the election to be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.

- 18 Statutory city; off-sale or on-sale and off-sale store.** Strikes the option for a special election on whether to use the liquor dispensary fund to contribute to an incorporated hospital association for four years and requires the election to be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.
- 19 Fourth class city operating (municipal liquor) store.** Strikes the option for a special election on whether to use the liquor dispensary fund to build, equip, and maintain a community hospital located in the city and requires the election to be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.
- 20 Statutory city; fourth class (municipal liquor store).** Strikes the option for a special election on whether to use the liquor dispensary fund to build, and maintain a community hospital for five years and requires the election to be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.
- 21 Statutory city; any (municipal liquor) store.** Strikes the option for a special election on whether to use the liquor dispensary fund to periodically provide funds to a community hospital and requires the election to be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.
- 22 Submission to voters (public utility).** Strikes the option for a special election on the question of acquiring property for the public utility and requires the election to be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.
- 23 Submission to voters (electric utility).** Strikes the option for a special election on the question of acquiring property for the public utility and requires the election to be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.
- 24 Municipalities may extend electric service.** Strikes the option for a special election on the question of extending service outside the municipality and requires the election to be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.
- 25 Accept donations (forests).** Strikes the option for a special election or special town meeting on the question of acquiring real property for production of timber and wood and requires the election to be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year or as part of the annual town meeting.
- 26 Reverse referendum (port authorities).** Strikes the option for a special election held pursuant to a petition (reverse referendum) on whether the city will increase its levy for the port authority and requires the election to be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year. An approved levy increase may not take effect until the next calendar year.

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- 27** **General obligation bonds (Cannon Falls and Redwood Falls port authorities).** Strikes the option for a special election held pursuant to a petition (reverse referendum) on whether the port authority may issue general obligation bonds and requires the election to be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year. This section is effective only if approved by the respective cities.
- 28** **Reverse referendum (economic development authority).** Strikes the option for a special election held pursuant to a petition (reverse referendum) on whether the city will increase its levy for the economic development authority and requires the election to be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.
- 29** **Authorization (local lodging tax).** Strikes the option for a special town meeting on whether the town will impose a local lodging tax. The vote of the electors may only be at the annual town meeting.
- 30** **Reverse referendum (local lodging tax).** Strikes the option for a special election in the unorganized territory of the county held pursuant to a petition (reverse referendum) on whether the county will impose a local lodging tax and requires the election to be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.
- 31** **May use fund for other purposes upon vote (public works reserve fund).** Strikes the option for a special election on the question of whether the city may use the public works reserve fund for another purpose and requires the election to be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.
- 32** **Expenditure from fund, limitations (permanent or replacement fund).** This section applies to each city in which the net tax capacity of real and personal property consists in part of iron ore or lands containing taconite or semitaconite and in which the total estimated market value of real and personal property exceeds \$2,500,000. Strikes the option for a special election and requires the election on the question of whether to exceed the statutory limit for expenditure from the fund for one project to be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.
- 33** **Tax levy (infrastructure replacement reserve fund).** Strikes the option for a special election held pursuant to a petition (reverse referendum) on whether the city will levy for an infrastructure replacement reserve fund and requires the election to be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.
- 34** **Use of fund for a specific purpose (infrastructure replacement reserve fund).** Strikes the option for a special election on whether use of the infrastructure replacement reserve fund should be restricted to a specific improvement or type of capital improvement and requires the election to be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.
- 35** **Manner of submission; notice (general law on municipal debt).** Provides that a special election held by a city, county, or school district on issuing debt must be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered

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year. Allows a town to pose the question at an election held on the same day as the annual town meeting or on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year. Overrides special laws authorizing an election on issuing debt to be held at any other time. Provides an exception for a referendum to finance a local government's response to a disaster or emergency.

- 36** **Repealer.** Repeals § 205.10, subd. 3 – An election law provision limiting when special elections on ballot questions may be held relative to the general election.

Article 2: Property Taxes

Overview

Exempts the first \$500,000 of each commercial-industrial parcel and the first \$200,000 of each seasonal-recreational parcel from the state general levy, with a levy reduction so that the cost is not shifted to other properties.

Phases out the remaining state general levy over seven years.

Eliminates the eight year limit on the right of a surviving spouse of (i) a disabled veteran, or (ii) a service member who dies while in active service, to continue to receive the disabled veteran's exclusion.

Provides a class rate reduction for property of community service organizations that are owned or operated by congressionally chartered veterans' organizations (i.e. American Legion or VFW halls). The class rate reduction expires after ten years.

Allows a land owner to withdraw from the SFIA program without penalty if the state acquires a conservation easement on the land, or the land is subject to acquisition, easement, or lease by the state or a political subdivision for the purpose of creating a public trail.

Changes the proposed levy certification deadline for special taxing districts for consistency with other types of taxing districts.

Allows a property's enrollment in the metropolitan agricultural preserves program to be terminated upon the death of an owner of the property.

Provides for a portion of state general levy revenues to be paid to a municipality having a net fiscal disparities contribution exceeding eight percent of its tax base, if the municipality is within the metro area but outside the transit taxing area.

Provides a property tax credit for overvalued property.

- 1** **Allowed commercial and industrial operations.** Allows cell towers to be installed on property within an agricultural preserve in Greater Minnesota.
- 2** **Termination of local assessor's office by town vote.** Allows for the termination of a town's local assessor's office by a vote at a town's annual meeting. After four years, the town may vote to revoke this decision and reestablish its local assessor's office.

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- 3 **Agricultural homesteads; special provisions.** Allows agricultural property whose owner lives off-site to qualify for agricultural homestead classification, provided that the owner lives within four townships of the land, and provided that the owner or the owner's spouse farmed the land for at least ten years sometime in the past.
- 4 **Class 2 agricultural property.** Defines wine produced by a farm winery as an agricultural product, thereby allowing all property used for producing wine on farm wineries to be classified as agricultural.
- 5 **Class 4 miscellaneous property.** Provides a class rate reduction from 1.5% to 1.0% for property of non-profit community service organizations that are owned or operated by congressionally chartered veterans' organizations. The class rate reduction would expire after ten years. Qualifying organizations are the American Legion and the VFW.
- 6 **Homestead of disabled veteran.** Provides that the surviving spouse of (a) a permanently and totally disabled veteran, or (b) a service member who dies due to a service-related cause, will receive the \$300,000 homestead market value exclusion each year, until the spouse remarries or disposes of the property. Under current law this benefit to the surviving spouse expires after eight years.
- 7 **Appeals and equalization course requirement for local boards.** Currently, a local board of appeal and equalization must have one member at each meeting who has taken a department of revenue course on appeals and equalization. This section would restrict application of this requirement to years where the commissioner of revenue offers a prescribed number of in-person training sessions to local board members. The requirement to offer in-person training sessions sunsets when the office of broadband development certifies that every jurisdiction subject to the current requirement has broadband service available.
- 8 **Property tax credit for overvalued property.** Requires the assessor to calculate and apply a tax credit against future property taxes due when a property is determined to have been overvalued by a board of appeal and equalization (but not including the state board of equalization) or by an abatement. The look-back for calculating the credit is one year. The credit is determined by calculating the difference between the amount of taxes payable for the current year and the amount of taxes payable for the current year under the reduced value. The credit is applied at the rate of 25% of the current property taxes owed until the tax credit is credited in full. The reduction in taxes payable to each jurisdiction taxing the property is proportionately allocated.
- 9 **State general tax.** Makes a number of modifications to the state general tax.
 - Subdivision 1. State general levy amount.** Separately states the portion of the state general levy to be paid by commercial-industrial property and by seasonal-recreational property. Reduces the general levy by an amount equal to the amount of the state general levy paid by property that is being exempted in subdivisions 2 and 3. Eliminates the automatic inflation of the state general levy. Phases out the remaining state general levy over seven years.
 - Subd. 2. Commercial-industrial tax capacity.** Exempts the first \$500,000 of market value of each parcel of commercial-industrial property from the state general levy.

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Subd. 3. Seasonal-recreational property. Exempts the first \$200,000 of market value of each parcel of non-commercial seasonal recreational property from the state general levy.

Subd. 4. Apportionment and levy of the state general tax. Eliminates the apportionment of the state general levy into a commercial-industrial share and a seasonal-recreational share since the levy amounts are separately stated in subdivision 1.

Subd. 5. Underserved municipalities distribution. Provides for a distribution of the state general levy paid by properties within a municipality back to the municipality, provided that the municipality (i) lies within the metropolitan area but outside the transit district area, and (ii) has a net fiscal disparities contribution tax capacity in excess of eight percent of the municipality's total net tax capacity. The distribution is equal to the contribution tax capacity in excess of eight percent times the municipality's tax rate. The distribution cannot exceed the amount of state general levy paid by properties within the municipality.

- 10 Proposed levy certification.** Requires special taxing districts to certify their proposed levies by September 30 of each year. Under current law, they are required to certify proposed levies by September 15. Specifically excludes the Metropolitan Council and the Metropolitan Mosquito Control District from the September 30 certification date, which have specific certification dates elsewhere in statute.
- 11 Penalties for late payment of property taxes; non-agricultural property.** Equalizes the penalties for first and second-half late payments of property taxes for homestead and nonhomestead properties. Restructures existing law for clarity.
- 12 Penalties for late payment of property taxes; agricultural property.** Equalizes the penalties for first and second-half late payments of property taxes for agricultural homestead and agricultural nonhomestead properties. Deletes a provision applicable to taxes payable in 2010 and 2011.
- 13 Sustainable Forest Incentive Act withdrawal procedures.** Allows an owner of forested land to withdraw from the Sustainable Forest Incentive Act (SFIA) program without a penalty when the state acquires either: (a) a conservation easement on the land enrolled, or (b) the land is subject to acquisition, easement, or lease by the state or another political subdivision of the state for the purpose of creating a paved public trail. The conservation easement must be at least as restrictive as the covenant required under the SFIA.
- 14 Metropolitan area transit tax.** Clarifies that the metropolitan council may not levy property taxes to pay for transit operations.
- 15 Early termination of agricultural preserve.** Allows a property's enrollment in the metropolitan agricultural preserves program to be terminated upon the death of an owner of the property. Provides that when an agricultural preserve is terminated under this provision, the property is subject to additional taxes equal to 50 percent of the current year's taxes.
- 16 Allowed commercial and industrial operations.** Allows cell towers to be installed on property within a metropolitan agricultural preserve.

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- 17 Recreation levy for Sawyer by Carlton County.** Reinstates and makes permanent authority for Carlton County to levy a tax within the unorganized territory of Sawyer for recreational purposes, limited to \$2,000 per year.

Article 3: Aids and Credits

Overview

Provides for a refundable income tax credit for owners of agricultural property equal to 50 percent of the tax on the property attributable to school district debt levies.

Beginning with aids payable in 2016, limits the LGA payments to first class cities by imposing a maximum payment per capita equal to the average per capita LGA payment to all cities. The savings are not redistributed to other cities but remains in the general fund.

Allows the city of Minneapolis to keep another \$6.364 million of its local sales tax revenue and use it for general purposes instead of having it transferred to the sports facility authority; also reduces the city's 2016 LGA payment by an equal amount.

Establishes a working group to make recommendations for the distribution of county program aid.

- 1 Sport facilities transfers; appropriations.** Provides a cross reference to Minneapolis local sales tax revenue that will be returned to the city instead of the sports facility authority under section 8.
- 2 School building bond agricultural credit computation.** Provides for a property tax credit on all property classified as agricultural equal to 50 percent of the tax on the property attributable to school district bonded debt levies. Provides for the credit to be reported on the property tax statement and claimed under the individual income tax, as provided in section 7. Effective beginning with taxes payable in 2016.
- 3 Notice of proposed property taxes.** Provides for the school building bond credit to be noted on the Truth-in-Taxation statement, with the indication that it is claimed under the individual income tax.
- 4 School district levies; special requirements.** Defines which school levies are considered to be debt service levies, for computing the school building bond agricultural credit.
- 5 Computation of tax rates.** Requires the county auditor to compute a school debt tax rate for each school district so that the school building bond agricultural credit can be computed.
- 6 Contents of tax statements.** Provides for the credit to be shown on the property tax statement, with direction to the property owner to claim the credit on the individual income tax return.

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- 7 School building bond agricultural credit.** Allows a refundable income tax credit for individuals and pass-through entities equal to the amount computed under section 2. Provides that taxpayers who own more than one property that qualifies for the credit under section 2 to claim the sum of the amounts reported on the property tax statements. Requires the credit to be allocated among owners in the case of properties with multiple owners, so that no more than the amount reported on the property tax statement is allowed. Provides an open appropriation for payment of refunds. Effective for tax year 2016, so that credits reported on property tax statements for payable year 2016 would be claimed on tax year 2016 income tax returns, generally filed in January through April of 2017.
- 8 General fund allocations.** Provides that for the period July 1, 2015, through June 30, 2017, the transfers of Minneapolis local sales tax revenues to the sports facilities authority are zero until the city of Minneapolis receives \$6.364 million of additional sales tax revenues that would have otherwise gone to this authority.
- 9 Maximum final aid payment to first class cities.** Limits the total certified LGA payment to a city of the first class to 112.5% of the average per capita aid payment for all cities, except first class cities, as calculated under the existing LGA formula, multiplied by its population. Effective beginning with aids payable in 2016.
- 10 Levy adjustments.** Expands the existing levy authority to cover aid decreases to also include aid reductions under section 9.
- 11 State auditor's duties.** Requires the state auditor to prescribe uniform reporting standards for towns with a population less than 2,500. Effective for years ending on or after December 31, 2015.
- 12 Conformity.** Requires towns to file annual financial reports with the state auditor in order to get town aid. Effective for years ending on or after December 31, 2015.
- 13 Cities (appropriation.)** Adjusts the maximum city LGA appropriation to ensure that the initial aid calculation is based on the total amount available under current law but that the amount paid out is reduced by the savings from imposing the maximum cap on cities of the first class in section 9. Effective beginning with aids payable in 2016.
- 14 Counties (appropriation.)** Modifies the county program aid appropriation language to eliminate the set-asides for (a) public defender expenses (beginning in 2016), and (b) costs of preparation of local impact notes (beginning in 2015). Reduces the overall County Program Aid appropriation amounts to reflect the elimination of the set-asides (there are no changes to the actual aid amounts distributed).
- 15 Public defense services; correctional facilities inmates.** Eliminates a provision directing the commissioner of management and budget to pay for certain public defense expenses through county program aid set-aside money, which is eliminated in section 14.
- 16 Cost of transcripts.** Eliminates a provision directing the commissioner of management and budget to pay the costs of certain transcripts through county program aid set-aside money, which is eliminated in section 14.
- 17 2016 reduction to offset additional general fund use of local sales tax revenue.** Reduces the LGA payment to the city of Minneapolis in calendar year 2016 only by \$6.364 million

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but allows the city to deposit in its general fund the extra \$6.364 million in local sales tax revenue it will receive under section 8, to be used to fund city spending in 2016 that would have otherwise been funded from LGA.

18 County program aid working group. Establishes a county program aid working group, with a charge to report its recommendations to the chairs of the tax committees in both legislative bodies by February 1, 2016. The group is to focus on options for distributing aid that promote fairness and stability. The group would be composed of 11 members:

- ▶ Two representatives, one from each party, appointed by the chair of the House Tax committee;
- ▶ Two senators, one from each party, appointed by the Senate Rules committee;
- ▶ Two persons appointed by the Governor; and
- ▶ Five county officials appointed by the Association of Minnesota Counties, with not more than two from counties in the metropolitan area.

Administrative support would be provided by legislative staff.

19 Repealer. Repeals library debt service aid to the city of Minneapolis and the Aquatic Invasive Species Aid program. Effective the day following final enactment.

Article 4: Local Sales Taxes

Overview

Modifies existing local sales tax authority for the following cities:

- Duluth,
- Mankato,
- North Mankato, and
- Proctor.

Provides retroactive validation of existing local taxes for the cities of Marshall and Proctor.

Allows the city of Walker to impose a new local sales tax based on voter approval at the 2012 general election.

- 1 Duluth food and beverage tax.** Changes the boundary line defining the area in which Duluth may spend revenues from its extra ½ percent food and beverage tax from 34th Avenue West to 14th Avenue west.
- 2 Duluth hotel and motel tax.** Changes the boundary line defining the area in which Duluth may spend revenues from its extra ½ percent lodging tax from 34th Avenue West to 14th Avenue west
- 3 Use of Revenues (City of Mankato).** Allows the city to extend its sales tax for different projects, subject to voter approval.

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Paragraph (b) allows the city, subject to voter approval at a general election held by December 31, 2016, to raise another \$29 million plus associated bond costs to fund:

- ▶ improvements to regional recreational facilities;
- ▶ improvements to the flood control and levee system;
- ▶ water quality improvement projects in Blue Earth and Nicollet counties;
- ▶ expansion of a transit building and related transit improvements; and
- ▶ matching funds for regional facilities such as a historic museum, supportive housing, and a senior center.

Effective upon the city filing approval with the secretary of state.

4 Expiration of taxing authority and expenditure limitation. If the new uses in subdivision 1, paragraph (b) are authorized, the tax will expire at the earlier of December 31, 2032, or when revenues are sufficient to fund the current projects. Otherwise, the tax will expire at the earlier of December 31, 2022, or when revenues are sufficient to pay off the existing bonds.

5 Bonds. Allows Mankato to issue an additional \$29 million in bonds based on the required voter approval in section 1, paragraph (b).

6 Reverse referendum; authorization of extension. Requires the Mankato city council to pass a resolution by July 1, 2015, if it intends to extend the tax to fund the new **projects** under section 3. However the extension is not effective without the required voter approval.

7 Sales and use tax. Allows Proctor to increase the rate of its existing local sales tax from 0.5% to 1.0%, based on voter approval at the 2014 general election. The revenue from the increased tax would pay for the \$10 million in improvements to public utilities, sidewalks, bike paths and trails, and park and recreation facilities authorized in the 2008 and 2010 special laws. No additional spending is authorized.

Effective upon the city filing approval with the secretary of state.

8 City of North Mankato; taxes authorized. Allows the city to extend its existing sales tax to raise up to an additional \$9 million for the currently funded projects, subject to voter approval at the next general election.

Subd. 2. Use of revenue. The total amount of additional sales tax revenue the city may expend for existing authorized projects is \$9 million, plus associated bond costs, subject to voter approval in subdivision 2a. The existing projects include an interchange, trails, a library, riverfront development, and lake improvement projects.

Subd. 2a. Authorization to extend the tax. Allows the city to extend the tax to cover an additional \$9 million plus associated bond costs if approved by voters at a general election held by December 31, 2016.

Subd. 3. Bonds. Subject to the voter approval requirement in subdivision 2a, the city may issue an additional \$9 million in bonds to fund the authorized projects without an additional referendum.

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Subd. 4. Terminations of the taxes. If the taxes are extended under this section, the new expiration date would be the earlier of December 31, 2038 or when revenues are sufficient to fund the additional \$9 million plus associated bond costs. Currently the tax expires when revenues are sufficient to fund the current \$6 million and associated bond costs.

Effective upon the city filing approval with the secretary of state.

- 9 City of Marshall; validation of prior act.** Retroactively approves the imposition of the 2011 authorized local sales tax based on approval at the 2012 general election and the filing of local approval with the secretary of state by June 15, 2013.
- 10 Effective date; validation of prior act (city of Proctor).** Retroactively approves the extension of the existing sales tax and new uses for the sales tax revenue authorized in the 2008 and 2010 special laws, based on the voter approval at the 2010 general election and the filing of local approval with the secretary of state by January 1, 2015.
- 11 City of Walker, local taxes authorized.** Allows the city to impose a local sales tax based on approval of the voters at the 2012 general election.

Subd. 1. Sales and use tax authorized. Allows the city to impose a local sales and use tax at the rate of the tax would be 1.5 percent, based on voter approval given at the 2012 general election.

Subd. 2. Use of Revenues. Dedicates revenues from the tax to pay capital and administrative costs for underground utility, street, curb and gutter, and sidewalk improvements as outlined in the city's 2012 capital improvement plan.

Subd. 3. Bonding authority. Allows the city to issue up to \$20 million in bonds without additional voter approval to fund the projects in subdivision 2.

Subd. 4. Termination of tax. The tax would expire at the earlier of 20 years after imposition or when revenues are sufficient to finance the projects in subdivision 2.

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Article 5: Economic Development

Overview

This article:

- Prohibits the spending of state, metropolitan council, city, or county funds on the intercity passenger rail project between Rochester and Twin Cities (often referred to as Zip Rail). In addition, use of eminent domain for the project is prohibited and a security bond or similar protections are required if the state leases public property to the private developers of the project.
- Provides \$200,000 of funding for border city aid in fiscal year 2017 and \$1 million per year after that.
- Makes a number of clarifying and minor changes in the tax increment financing (TIF) statute, as requested by the League of Minnesota Cities. These changes (particularly in the expansion of the permitted use of increments and relaxed interfund loan rules) provide additional flexibility for the development authorities to fully use increments from TIF districts, rather than returning them to cities, counties, and schools for their general use.
- Makes a number of clarifying changes in the Destination Medical Center (DMC) financing statute that allow the city of Rochester to count more of its costs as qualifying for the required local match under the state aid program.
- Grants special TIF authority to the cities of Cottage Grove, Eagan, and Wayzata.

1 No state spending for certain rail projects. Prohibits using any state appropriation or grant to fund intercity or interregional rail between Rochester and the Twins Cities metropolitan area (“Zip Rail”). This limit applies to spending for any purposes related to the project – e.g., planning, design, engineering, land acquisition, construction, and operation. It does not apply to voluntary private contributions.

Effective date: Day following final enactment

2 Restrictions on leasing state property for Zip Rail project. Requires the commissioners of administration and transportation to include security bonds or similar guarantees against state loss in the agreements, if they lease state property for use as part of the Zip Rail project (e.g., leasing the highway right of way or air rights to the owner or operator of the project).

Effective date: Day following final enactment

3 Eminent domain. Prohibits use of Minnesota eminent domain law by the state, a local government, or a private railroad company for the Zip Rail project.

Effective date: Day following final enactment

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- 4 No local spending for Zip Rail project.** Prohibits any city or county in Development Regions 10 or 11 and the DMC entities from spending public money (other than voluntary private contributions) on the Zip Rail project, parallel to the limits on state spending in section 1. Regions 10 and 11 include the following counties: Anoka, Carver, Dakota, Dodge, Fillmore, Freeborn, Goodhue, Hennepin, Houston, Mower, Olmsted, Rice, Scott, Steele, Wabasha, Washington, and Winona.
- Effective date:** Day following final enactment
- 5 Border city aid.** Provides \$200,000 allocation for use in fiscal year 2017 and an annual \$1 million allocation for border city aid in later years. This aid would be allocated among the five qualifying cities (Breckenridge, Dilworth, East Grand Forks, Moorhead, and Ortonville) on a per capita basis. The city could choose whether to use the allocation for the regular border city enterprise zone program or the border city development zone program. Allocations are used to provide tax reductions to businesses in the cities (either new or expanding businesses or existing businesses). The allocations would remain available until used. In the past, allocations have been made for these programs on a one-time (not permanent) basis.
- Effective date:** July 1, 2015
- 6 Definition of administrative expenses.** Modifies the definition of administrative expenses under the TIF statute to exclude expenditures by the development authority for usual and customary maintenance costs to preserve property the city or development authority owns. (This exclusion is limited to properties that are acquired with TIF; it could not be used for general city property, such as city offices or public works or safety facilities.) These expenditures include capital reserves for the qualifying properties, but not to exceed 10 percent of the market value of the property. Administrative expenses are subject to a limit of the lower of 10 percent of (1) the total increment expenditures for the project or (2) the estimated expenditures in the TIF plan.
- Effective date:** day following final enactment for all TIF districts
- 7 Authority to expend increments.** Modifies the general statute restricting the use of tax increments to permit spending for the maintenance expenditures that are described in section 6 (subject to the percentage restrictions on administrative expenses). In addition, cumulative payments for operations and maintenance of properties, including to fund a capital reserve for the property, cannot exceed 10 percent of the property's market value.
- Effective date:** Day following final enactment for all TIF districts
- 8 Definition of increment under five-year and pooling rules.** Modifies the definition of tax increment that is subject to the five-year rule (imposing time limits on spending increments) and the pooling rule (imposing percentage geographic limits on spending increments) to exclude increments that are repaid by developers under agreements.
- Effective date:** Districts for which the request was made after the day following final enactment
- 9 Pooling limits; application to increments.** Clarifies that the percentage pooling rules only apply to increment derived from properties located in the TIF district.

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Effective date: Districts for which the request was made after the day following final enactment

- 10** **Five-year rule; application to increments.** Modifies five-year rule reference to increments to be consistent with the change made in section 9.

Effective date: Districts for which the request was made after the day following final enactment

- 11** **Interfund loans.** Modifies the interfund loan provisions of the TIF statutes to make it easier for cities and development authorities to make and document interfund loans. The changes include:

- Allowing loans to be made up to 60 days after the money has already been transferred or spent. (Under present law, the loan terms must be set before the loan is made.)
- Allowing the development authority to delegate to a staff person the ability to set the terms and conditions of the loan. (Under present law, these terms must be set by the resolution that is passed by the governing body.)
- Authorizes passage of the resolution authorizing interfund loans before the TIF plan is approved. (Under present law, it is unclear whether the resolution can authorize interfund loans for TIF districts that have not yet been created.)
- Authorizes the development authority to rewrite loan terms after the loan has been made so long as it is done before the TIF district that provided increment is terminated. (Note: It is unclear if “termination” of a TIF district means decertification or not; likely not.)

The section imposes and clarifies the reporting requirements for interfund loans and allows the use of interfund loans to pay for (without a prior resolution or documentation):

- Administrative expenses
- Planning, inspection, architectural, engineering, soil testing, surveying and similar costs that are incurred before creation of a TIF district
- Transfers in excess of a negative balance for a less than 12-month period

Effective date: day following final enactment for all TIF district

- 12** **Public infrastructure project.** Modifies the definition of “public infrastructure project” under the Destination Medical Center (DMC) law to clarify that it includes amounts spent on planning. Most amounts spent for planning already qualify as part of preparation of the development plan; this would expand it to planning other than for the development plan. Amounts spent for the “public infrastructure project” may be paid with either state aid or city taxes; amounts spent out of city taxes qualify as a local match.

- 13** **DMC, relationship of EDA and city.** Clarifies the relationship between the city and nonprofit economic development agency (EDA), a private entity created by the Mayo Clinic. The EDA is prohibited from requiring the city to pay amounts that are unrelated to public infrastructure project costs. Under the DMC law, public infrastructure costs are defined items (largely for physical improvements and associated planning and other soft costs) that

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support the Mayo Clinic's development plans, as provided under the DMC development plan.

14 City special taxes. Clarifies that the special Rochester city sales tax (on lodging, food and beverages, and admissions) may be spent for any purposes that qualify as a local matching contribution under the DMC aid program. Section 16 expands the definition of what counts under the local match; this section allows city special sales tax receipts to be spent for those purposes.

15 City general sales tax. Clarifies that the Rochester city general sales tax may be spent for any purposes that qualify as a local matching contribution under the DMC aid program. Section 16 expands the definition of what counts under the local match; this section allows city general sales tax receipts to be spent for those purposes.

16 Local matching contribution. Provides that any city money spent to support the DMC Corporation or the EDA qualifies as a local matching contribution under the state aid program. Under present law, one-half of amounts spent for the corporation's operating and administrative costs do not qualify as a local match.

17 No Met Council spending for Zip Rail project. Prohibits the Metropolitan Council from spending public money (other than voluntary private contributions) on the Zip Rail project, parallel to the limits on state spending in section 1.

Effective date: Day following final enactment

18 Eagan; TIF. Modifies the local approval method for the portion of the 2014 special law that authorized the city of Eagan to extend the duration of its Cedar Grove TIF district.

Under the 2014 special law and as required by general law (Minn. Stat. § 469.1782, subd. 2) for extension of the duration of TIF districts, approval of the special law required approval by the city, county, and school district that contained the TIF district. Both the city and county approved the law, but the school failed to take action. As a result, the special law authorizing extension of the district did not take effect. (Portions of the special law unrelated to the duration extension did take effect, because the city approved them.)

The provision allows the extension to take effect if one or more of the three local units approve the 2014 special law (provided the city approves). If either the county or school district do not approve the extension, the increment that is attributable to their levies would be paid to them, rather than the city. This would hold them harmless from the effect of the extension on their ability to tax the TIF district's property, which is the reason the general law requires their approval. In the case of the school district, the school would be required to report the amount of revenue it receives to the Department of Education, so that its state aid could be recomputed. The school would receive the revenue from its unequalized levies, but the amount attributable to school levies that are equalized by state aid would trigger recalculation of the school's aid. This may result in a reduction in the state aid although it would not affect the school's total revenue (i.e., the increment received may substitute for state aid).

Effective date: Local approval by city and other units to capture increments attributable to their levies

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19 Cottage Grove; TIF. Extends the five-year rule for TIF District No. 1-12 (Gateway North) in the city of Cottage Grove to allow expenditures until January 1, 2017. This district was certified in 2002, so that the extension is a 10-year extension of the five-year period.

Background information. The five-year rule requires 75 percent (for redevelopment districts) of tax increment revenues derived from a TIF district to be spent on activities within the TIF district during the five-year period after decertification. After the fifth year, money may only be spent to (1) pay bonds or contracts that financed improvements, if bonds were issued before the end of the five-year period, or (2) reimburse the developer for costs it paid to make improvements in the district during the first five years. When sufficient money has been set aside, the district is decertified.

20 Wayzata; TIF. Exempts TIF #3 (Widsten) in the city of Wayzata from the five-year rule to allow the city to use increment from the district for a municipal parking ramp. This district is a redevelopment district for which certification was requested in 1996.

Article 6: Miscellaneous

Overview

Require a onetime payment to be made to counties equal to 30 times the property taxes assessed on land purchased with funds from the environment and natural resources and the outdoor heritage trust funds in the previous fiscal year. Lands eligible for the onetime payment would not be eligible for payments in-lieu of taxes (PILT).

Repeals the political contribution refund program.

1 Account for county joint trust fund payments. Establishes a special account in the combined investment funds with the State Board of Investment for management of the onetime payments required under this bill on lands purchased with funds from the environment and natural resources and the outdoor heritage trust funds. Each county enters into an agreement with the State Board of Investment to allow the commissioner to act on its behalf in making deposits to and withdrawals from this account. The commissioner will make one deposit annually for payments to all counties under each of sections 3 and 7, and one withdrawal annually to cover distributions under section 10.

2 Definitions. Defines “land acquisition costs” for purposes of section 97A.056, which governs the outdoor heritage fund and the Lessard-Sams Outdoor Heritage Council, to include various costs, including the new onetime payments required under section 3.

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3 Outdoor heritage trust fund account; trust fund payments. Paragraph (a) establishes an outdoor heritage trust fund account to be invested by the State Board of Investment.

Paragraph (b) states that land acquired with money from the outdoor heritage fund is eligible for a onetime payment (at least 20 percent of the state payment for the land must be from the outdoor heritage fund to be considered “acquired” by the fund for these purposes). The onetime payment is equal to 30 times the property taxes assessed in the year prior to the year the land was acquired. Provides an alternative valuation method if the land was previously privately owned and tax-exempt. Requires counties to submit information necessary for determining the payments to the commissioner of revenue by September 1 of each year. Requires the commissioner of revenue to inform the counties of their payment under this section by September 20 of each year and deposit the payments to the State Board of Investment, on behalf of eligible counties by October 31.

Paragraph (c) provides that if a parcel is also eligible for a trust fund payment under section 6, the payment under this section will be reduced based on the relative share of the funding coming from the outdoor heritage fund compared to the funding from the environment and natural resources fund.

Paragraph (d) appropriates the amount necessary to make the payments to the counties from the new outdoor heritage trust fund account to the commissioner of revenue.

Paragraph (e) requires a county board, in order to receive a payment under this section, to enter into an agreement with the State Board of Investment to allow the commissioner to act as their agent regarding depositing and withdrawing money on behalf of the county from the trust fund account established in section 1.

Paragraph (f) states that lands receiving a trust fund payment under this section are not eligible for PILT.

4 State acquisitions of lands; restrictions. Prohibits the state from using funds from the environment and natural resource fund to acquire (1) land subject to property taxes; or (2) land previously subject to property taxes from a nonprofit, unless a trust fund payment will be made on the land as required in section 3

5 Applicability. States that the definition of “trust fund” applicable to chapter 116P, which deals with the environment and natural resources trust fund, does not apply to the onetime payment provision established in section 7.

6 Land acquisition costs. Defines “land acquisition costs” for purposes of chapter 116P to include various costs, including the new onetime payments required under section 7.

7 Environment and natural resources trust fund payment account.

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Subd. 1. Account created. Establishes an environment and natural resources trust fund payment account to be invested by the State Board of Investment

Subd. 2. Trust fund payment; appropriation. Paragraph (a) states that land acquired with money from the environment and natural resources trust fund is eligible for a onetime payment (at least 20 percent of the state payment for the land must be from the environment and natural resources trust fund to be considered “acquired” by the fund for these purposes). The onetime payment is equal to 30 times the property taxes assessed in the year prior to the year the land was acquired. Provides an alternative valuation method if the land was previously privately owned and tax-exempt. Requires counties to submit information necessary for determining the payments to the commissioner of revenue by September 1 of each year. Requires the commissioner of revenue to inform the counties of their payment under this section by September 20 of each year and deposit the payments to the State Board of Investment, on behalf of eligible counties by October 31.

Paragraph (b) provides that if a parcel is also eligible for a trust fund payment under section 3, the payment under this section will be reduced based on the relative share of the funding coming from the environment and natural resources fund compared to the funding from the outdoor heritage fund.

Paragraph (c) appropriates the amount necessary to make the payments to the counties from the new environment and natural resources trust fund account to the commissioner of revenue.

Subd. 3. County requirements. Requires a county board, in order to receive a payment under this section, to enter into an agreement with the State Board of Investment to allow the commissioner to act as their agent regarding depositing and withdrawing money on behalf of the county from the trust fund account established in section 1.

Subd. 4. Ineligible for other payments. States that lands receiving a trust fund payment under this section are not eligible for PILT

Subd. 5. State acquisition of lands; restrictions. Prohibits the state from using funds from the outdoor heritage fund to acquire (1) land subject to property taxes; or (2) land previously subject to property taxes from a nonprofit, unless a trust fund payment will be made on the land as required in this section.

- 8 Political contribution refund.** Strikes a reference to the political contribution refund, which is repealed in section 16.
- 9 Political contribution refund; conforming changes.** Eliminates a reference to the political contribution refund, which is repealed in section 16.

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- 10 Political contribution refund; conforming changes.** Strikes a definition of the term “taxpayer” that is used in determination of the political contribution refund, which is repealed in section 16.
- 11 Natural resources land payments in lieu; purpose.** Excludes lands purchased with money from the environment and natural resources trust fund after July 1, 2016, from the purpose statement for the existing PILT program.
- 12 Environment and natural resources trust fund lands.** Excludes lands purchased with money appropriated from the environment and natural resources trust fund after July 1, 2016, from the definitions of natural resources land used for purposes of PILT.
- 13 Outdoor heritage lands.** Excludes lands purchased with money appropriated from the outdoor heritage fund on or after July 1, 2016, from the definitions of natural resources land used for purposes of PILT.
- 14 Annual county joint trust fund withdrawals and distribution for environment and natural resources and outdoor heritage lands.**

Subd. 1. Commissioner of revenue, withdrawals and payments.

Provides that the commissioner will make one withdrawal each year from the county joint trust fund established under section 1, on behalf of all eligible counties. The amount withdrawn is set to the lesser of (1) the total withdrawal amount the counties certified under subdivision 2 or (2) 5.5% of the amount in the fund. Requires that distributions to counties be proportionately decreased if the total withdrawal is less than the total withdrawal amounts certified under subdivision 2.

Subd. 2. Certification of needed withdrawal; distribution of funds.

The withdrawal amount for each eligible parcel is as follows:

- in the first year of receiving a state payment, the county will withdraw the amount needed to make all taxing jurisdictions whole in terms of tax collections – either by paying the remaining taxes owed on the property for that year, or, if the property was already off the tax rolls, paying the amount of tax paid in the previous year;
- in subsequent years the county will withdraw an amount equal to the tax imposed on comparable, adjacent privately owned land

The money is distributed to each taxing jurisdiction based on its share of the total tax rate in the area for all eligible parcels in that jurisdiction. If funds are insufficient to make all payments; all payments are reduced proportionately.

- 15 Notification of political contribution refund repeal.** Requires the commissioner of revenue and the executive director of the campaign finance and public disclosure board to notify interested parties electronically of the political contribution refund repeal under section 16.
- 16 Repealer.** Repeals the political contribution refund program, the section of the data practices law relating to political contribution refunds, the section providing for refund

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receipts, and an administrative rule related to issuance of refund receipts. Effective for contributions made after April 15, 2015, and refund claims submitted after June 15, 2015.