

Subject Property and Local Tax Division Report

Authors Carlson

Analyst Alexandra Haigler
Jared Swanson
Pat Dalton

Date May 1, 2020

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Article 1: Property Taxes and Aids

This article provides a number of changes relating to property taxes and aids to local governments. These changes include:

- classifying short-term rental property as 4(b)1 residential nonhomestead;
- allowing counties to choose a second settlement date for first-half property tax payments;
- providing a property tax deferral for an elderly living facility;
- providing 2019 local government aid (LGA) penalty forgiveness for the cities of Roosevelt and Sargeant; and
- allowing the spouse of a deceased veteran a onetime transfer of the disabled veterans' homestead exclusion.

Section	Description: Article 1 – Property Taxes and Aids
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1	Elderly living facility deferral.
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Establishes a deferral of property taxes for an elderly living facility. As long as the property continues to meet the requirements of subdivision 1, the facility is treated as if it were exempt from property taxes. If the property is sold, transferred, or no longer meets the requirements, the property owner must pay taxes that would have been due over the last five years.

Section Description: Article 1 – Property Taxes and Aids

Effective beginning with property taxes payable in 2021.

2 Class 4.

Adds to the 4(b)1 property tax classification short-term rental properties containing less than four units that were rented for more than 14 days in the preceding year. The 4(b)1 classification has a class rate of 1.25 percent, is not subject to the state general levy, and is subject to referendum market value (RMV) taxes.

Effective beginning with assessments in 2020.

3 Homestead of veteran with a disability or family caregiver.

Allows the spouse of a deceased veteran to transfer the disabled veterans' homestead exclusion to a new property, provided that the new property has a market value less than or equal to the value of the original property. The spouse would be limited to one such transfer.

Effective beginning with property taxes payable in 2020.

4 Distribution of funds.

Allows counties to distribute any property tax payments received after the first-half settlement day in May, for taxes payable in 2020 only. Counties would be allowed to choose a second settlement date for first-half payments. Counties choosing to do this would be required to file the same state auditor reports that are required for distribution of first-half payments.

Effective the day following final enactment.

5 2019 aid penalty forgiveness; city of Sargeant.

Provides that the city of Sargeant will receive its withheld 2019 LGA payment of \$9,280 by June 30, 2020. However, the first half payment of the city's 2020 LGA will be withheld until one month after the state auditor certifies that the city has filed its financial reports for both calendar years 2018 and 2019, and if the reports for both years are not filed by December 1, 2020, it will lose its entire 2020 LGA payment instead.

Effective the day following final enactment.

6 2019 aid penalty forgiveness; city of Roosevelt.

Provides that the city of Roosevelt will receive its withheld 2019 LGA payment of \$25,410 by June 30, 2020, provided the city is totally up to date on all its financial filings with the state auditor by that date. Its 2019 LGA payment was withheld because it did not file its calendar year 2018 financial reports in a timely fashion.

Section Description: Article 1 – Property Taxes and Aids

Effective the day following final enactment.

Article 2: Miscellaneous

This article includes various non-property tax provisions such as:

- modifying the statutory local lodging tax authority to include accommodations intermediaries in the tax base and allow changes in remittance dates;
- providing temporary flexibility in the use of unencumbered TIF revenues;
- providing temporary flexibility in the use of revenues from most local sales taxes, except for the lodging taxes dedicated to a tourism or convention bureau;
- extending the five-year tax increment financing rule to ten years for redevelopment districts in Greater Minnesota;
- prohibiting new local sales tax requests until the 2022 legislative session; and
- establishing a local sales tax working group to make recommendations regarding types of capital projects to be funded with local sales taxes and criteria for judging a project’s regional significance.

Section Description: Article 2 – Miscellaneous

1 Local resolution before application for authority.

Effectively imposes a moratorium on new local sales taxes being proposed during the 2021 legislative session by (1) requiring that the necessary resolution used when seeking a local sales tax be passed in the 12-month period prior to the start of that session, and (2) prohibiting any local government from passing a resolution from March 1, 2020, until July 1, 2021.

Effective retroactively to March 1, 2020.

2 Temporary use of increment authorized.

Allows TIF authorities to transfer unobligated increment to the municipality’s general fund. The transferred increment is limited to the excess of increment that is required to make bond payments or other financial obligations within six months of the transfer. Transfers may be made through December 31, 2021.

Contains a requirement for the municipality to approve a spending plan, amend the tax increment financing plan, and hold a public hearing that discusses the use of transferred increment. Also contains administrative provisions related to reporting to the Office of the State Auditor.

Section Description: Article 2 – Miscellaneous

Effective for current unobligated increment the day following final enactment for any TIF district regardless of its certification date.

3 Five-year rule.

Extends the five-year pooling rule to ten years for all redevelopment districts located outside of the seven-county metro area. This change only applies to districts certified after June 30, 2020.

Effective the day following final enactment.

4 Use of revenues for decertification.

Extends the six-year rule that requires increment to be spent on efforts to decertify the district to 11 years for redevelopment districts whose five-year pooling rules are extended to ten years.

Effective the day following final enactment.

5 Authorization (lodging taxes).

States that local lodging taxes apply to the whole price of lodging including services provided by accommodation intermediaries. “Accommodation intermediaries” are online lodging and travel providers who resell rooms. This conforms to the definition used for the state sales tax and for local lodging taxes currently collected by the state.

Effective the day after final enactment.

6 Collection (lodging taxes).

Allows any local government that collects its own lodging tax to limit the required filing and remittance of the tax by accommodation intermediaries to once a year. The collection date must coincide with one of the monthly filing dates for state taxes. The local government is also responsible for providing these intermediaries with the geographic and zip code information needed to correctly apply the tax.

Effective the day after final enactment.

7 Temporary use of special tax revenues.

Allows local governments the temporary authority to divert a portion of certain local sales tax revenues to their general fund for through December 31, 2021. This applies to unencumbered revenues from the following local taxes:

- general local taxes, including county transit taxes;
- food and beverage taxes;
- liquor taxes;

Section Description: Article 2 – Miscellaneous

- admissions and amusement taxes; and
- lodging taxes imposed by special law, except for the portions dedicated to funding a local tourism or convention bureau.

It excludes lodging taxes imposed under general statutory authority which also must be used for funding a local tourism or convention bureau.

The local government may only divert the money received in a calendar quarter not needed to fund debt obligations in the next calendar quarter. It also must have a plan for the use of the revenues and hold a public hearing on the topic prior to the diversion of any funds.

Effective the day after final enactment.

8 Local sales tax criteria working group.

Establishes a working group made up of the commissioner of revenue, or their designee, representatives from various local government groups, and individuals representing nongovernment groups that may have an interest in the issue. The group must develop a list of capital projects that may qualify as a project of regional significance and criteria to be used to judge whether it does qualify, along with a list of capital projects that should not be considered as projects of regional significance for local sales tax purposes. The lists, criteria, and proposed legislation to codify their findings should be included in a report sent to the ranking members of the house and senate committees with jurisdiction over local sales taxes by November 1, 2021.

Effective the day following final enactment.

Article 3: Department of Revenue – Property Taxes and Miscellaneous

This article provides modifications to provisions related to Board of Assessor education requirements, powers and duties of county and city assessors, wind and solar energy production tax, and cross-references to certain PILT payments.

Section Description: Article 3 – Department of Revenue – Property Taxes and Miscellaneous

1 Report on disciplinary actions (Board of Assessor reports).

Combines separate reports that the department makes to the governor and to the legislature into a single report containing the same information as already required under law.

Section Description: Article 3 – Department of Revenue – Property Taxes and Miscellaneous

Effective for reports issued in 2020 and thereafter.

2 Adjustment; definition; period; rounding.

Corrects the statutory year calculation of inflation for the property tax refund chapter.

Effective for property tax refunds based on property taxes payable in 2020, and rent paid in 2019.

3 Definitions.

Clarifies that the original construction date of a wind energy conversion system is not altered if the system is replaced, repaired, or otherwise maintained or altered.

Effective the day following final enactment.

4 Definitions.

Clarifies that the original construction date of a solar energy generating system is not altered if the system is replaced, repaired, or otherwise maintained or altered.

Effective the day following final enactment.

5 Notification of tax.

Allows the commissioner to correct clerical errors until December 31 each year, if the commissioner determines that the amount of production tax is erroneously calculated for a solar energy generating system.

Effective the day following final enactment.

6 Applications; limitations (assessor powers and duties).

Clarifies that the powers and duties performed by a city assessor in a county having a city of the first class are the powers and duties of a county assessor.

Effective the day following final enactment.

7 Training and education of property tax personnel.

Specifies that licensed assessors must complete 30 hours of education on Minnesota laws, assessment administration, and administrative procedures. These hours may be spread out over every four-year licensing cycle, rather than mandating completion of a single weeklong course on these topics.

Effective for the four-year licensing period starting July 1, 2020, and thereafter.

Section Description: Article 3 – Department of Revenue – Property Taxes and Miscellaneous

8, 9, & Lake Vermillion-Soudan Underground Mine State Park PILT.

11 Amends payment in-lieu of taxes (PILT) references in Minn. Stat. §§ 273.124, 273.18, and 477A.10, to include cross-references to the Lake Vermillion-Soudan Underground Mine State Park PILT statute.

Effective the day following final enactment.

10 Exemptions.

Provides an exemption to the mortgage registry tax for mortgage loans made under low or moderate income housing program if the assignee of the mortgage is a governmental agency. Currently, the governmental agency must be listed as the mortgagee for the exemption to apply.

The provision also corrects the format to reflect that the exemptions are listed as clauses, not paragraphs.

Effective for mortgages recorded after July 31, 2020.

12 Repealer.

Repeals the requirement that local units of government, whose tax is administered by the department, pay for new computer system development costs. This provision is unnecessary as the commissioner is required to deduct from the proceeds remitted any direct or indirect costs to administer, audit, and collect local sales taxes.

Effective the day following final enactment.

Article 4: Department of Revenue – Fire and Police State Aids

This article includes updates to the recodification of the fire state aid and police state aid programs that were enacted in 2019.

Section Description: Article 4 – Department of Revenue – Fire and Police State Aids

1 Report to commissioner of revenue.

Provides due dates for financial compliance reports submitted by the state auditor to the commissioner of revenue. These reports certify which relief associations are eligible to receive fire state aid.

Effective for aids payable in calendar year 2021 and thereafter.

Section Description: Article 4 – Department of Revenue – Fire and Police State Aids

2 Penalties.

Eliminates obscure penalty language no longer needed by the commissioner of revenue. A cross-reference is also added to clarify consequences for an insurance company that knowingly makes and files an inaccurate or false report.

Effective for reports required to be filed after December 31, 2020.

3 Apportionment agreement.

Defines “apportionment agreement” for the purposes of fire state aid.

Effective for aids payable in calendar year 2021 and thereafter.

4 Fire department.

Adds joint powers entities and fire protection special taxing districts for purposes of fire state aid.

Effective for aids payable in calendar year 2021 and thereafter.

5 Fire protection special taxing district.

Defines “fire protection special taxing district” for the purposes of fire state aid.

Effective the day following final enactment.

6 Joint powers entity.

Defines “joint powers entity” for the purposes of fire state aid.

Effective the day following final enactment.

7 Municipality.

Includes joint powers entities and fire protection special taxing districts in the definition of “municipality” for the purposes of fire state aid. Eliminates park districts and the University of Minnesota from the definition. These entities do not currently receive fire state aid and are not anticipated to qualify for the aid in the future.

Effective for aids payable in calendar year 2021 and thereafter.

8 Secretary.

Includes the secretary of a joint powers board or fire protection special taxing district board in the definition of “secretary” for fire state aid purposes.

Effective for aids payable in calendar year 2021 and thereafter.

Section Description: Article 4 – Department of Revenue – Fire and Police State Aids

9 Establishment of fire department.

Requires a fire department to have a fire department identification number issued by the state fire marshal as one of the criteria for receiving fire state aid.

Effective for aids payable in calendar year 2021 and thereafter.

10 Benefits requirements.

Eliminates outdated personnel criteria for fire departments to receive fire state aid. Adds language to clarify that a fire department may not be associated with two retirement benefit plans at the same time.

Effective for aids payable in calendar year 2021 and thereafter.

11 Public safety answering point requirement.

Requires a fire department to be dispatched by a public safety answering point in order to qualify for fire state aid.

Effective for aids payable in calendar year 2021 and thereafter.

12, 17 Documentation filing requirements.

Clarifies the documentation and information required to be filed with the commissioner by municipalities and independent nonprofit firefighting corporations. Notifications of contract termination, apportionment agreements, joint powers agreements, fire protection special taxing district resolutions or agreements, and any amended versions of such documents must all be filed with the commissioner at the time and in the form and manner as the commissioner prescribes.

In the event a fire department is located in an unorganized territory, the county auditor is also required to provide information that the commissioner needs to apportion the estimated market value of the fire department service area.

Effective for aids payable in calendar year 2021 and thereafter.

13 PERA certification to commissioner.

Provides that the executive director of the Public Employees Retirement Association only needs to certify to the commissioner changes to the fire department's retirement coverage by the voluntary statewide volunteer firefighter retirement plan since the previous certification.

Effective for aids payable in calendar year 2021 and thereafter.

Section Description: Article 4 – Department of Revenue – Fire and Police State Aids

14 Fire department certification to commissioner.

Requires the municipal clerk or the secretary to annually certify a fire department's fire department service area and whether all the qualification criteria for fire state aid are met. The municipal clerk or secretary must send a copy of the certification to the fire chief within five business days of filing.

Effective for aids payable in calendar year 2021 and thereafter.

15 Penalty for failure to file or correct certification.

Eliminates the ten-day grace period between the fire state aid certification due date and the time a penalty begins accruing. The grace period is replaced by a notification issued by the commissioner on March 1, alerting a municipal clerk or secretary that has not yet filed the certification form of the March 15 due date and applicable penalty for late filed certifications.

Adds a requirement that a municipal clerk or secretary correct a certification form rejected by the commissioner within 30 days of the notice of rejection.

Shortens the penalty timeline to ten weeks and applies to both late certifications and corrective certifications filed after March 15 that are also filed more than 30 days after the date on the notice of rejection.

Effective for aids payable in calendar year 2021 and thereafter.

16 Population and estimated market value.

Requires the commissioner to use population estimates from the state demographer rather than federal census data to calculate fire state aid.

Effective for aids payable in calendar year 2021 and thereafter.

18 Appeal.

Provides that objections to fire state aid apportionment may only be raised within 60 days after the apportioned fire state aid is paid.

Effective for aids payable in calendar year 2021 and thereafter.

19 Payments.

Clarifies that aid is withheld from payment for noncompliance with financial reporting requirements. If the Office of the State Auditor certifies that the requirements have been met, the commissioner must make the payments within ten business days of receipt of the certification.

Section Description: Article 4 – Department of Revenue – Fire and Police State Aids

Clarifies that joint powers entities and independent nonprofit firefighting corporations must designate in writing the city or town to be paid fire state aid on its behalf.

Effective for aids payable in calendar year 2021 and thereafter.

20 Aid amount corrections.

Specifies how clerical errors that resulted in an incorrect payment are to be adjusted. Adjustments may only occur within three years after payment was issued.

Effective for aids payable in calendar year 2021 and thereafter.

21 Penalty for failure to file or correct certification.

Eliminates the ten-day grace period between the police state aid certification due date and the time a penalty begins accruing. The grace period is replaced by a notification issued by the commissioner on March 1, alerting a municipal clerk, municipal clerk-treasurer, or county auditor that has not yet filed the certification form of the March 15 due date and applicable penalty for late filed certifications.

Adds a requirement that a municipal clerk, municipal clerk-treasurer, or county auditor correct a certification form rejected by the commissioner within 30 days of the notice of rejection.

Shortens the penalty timeline to ten weeks and applies to both late certifications and corrective certifications filed after March 15 that are also filed more than 30 days after the date on the notice of rejection.

Effective for aids payable in calendar year 2021 and thereafter.

22 , 24 Police state aid amount corrections.

Specifies how clerical errors that resulted in an incorrect payment are to be adjusted. Adjustments may only occur within three years after payment was issued. Deletes vague language describing aid payment adjustments.

Effective for aids payable in calendar year 2021 and thereafter.

23 Appeal.

Provides that objections to police state aid apportionments may only be raised within 60 days after the aid is paid.

Effective for aids payable in calendar year 2021 and thereafter.

Section Description: Article 4 – Department of Revenue – Fire and Police State Aids

25 Repealer.

Repeals outdated equipment requirements for fire departments that should no longer be used as a factor in determining qualification for fire state aid. Also repeals vague language describing aid payment adjustments.

Effective for aids payable in calendar year 2021 and thereafter.



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