

Subject Land-value taxation districts

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Overview

Allows cities to establish land-value taxation districts. Cities would be able to spread the property taxes paid by parcels in the district on an alternative tax base, such as a tax base that includes only the value of the land or a tax base that excludes the value of improvements made after a certain date.

Under current law, a property's estimated market value used for property tax purposes includes the value of the land plus the value of any improvements to the land (e.g., buildings or structures). This bill would allow cities to designate areas where all or a portion of the value of improvements is excluded from the value of a property for the purpose of calculating property tax.

Effective date: This bill is effective beginning with property taxes payable in 2024.

Summary

Section	Description
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1	Definitions.
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Defines terms for sections that allow cities to establish land-value taxation districts.

2	Establishment of land-value taxation district.
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Subd. 1. Ordinance. Allows the governing body of a city to establish a land-value taxation district by ordinance. The ordinance would need to describe the area included in the district, the procedure for reallocating property tax among the parcels in the district, and a plan for the evaluation of the economic effects of the district.

Subd. 2. Hearing, notice. Requires the city to hold a public hearing on an ordinance to establish a land-value taxation district. The city would need to mail a hearing notice to owners of parcels included in the district. These owners would be allowed to testify at the hearing.

Section	Description
3	<p>Restrictions on tax reallocation procedure.</p> <p>Allows cities to reallocate property taxes within a land-value taxation district on the basis of one or more of the following tax bases:</p> <ul style="list-style-type: none">▪ net tax capacity;▪ referendum market value;▪ a tax base which excludes the value of improvement (i.e., the value of the land only); or▪ a tax base which excludes the value of improvements made to the property after a specified date.
4	<p>Taxation within the district.</p> <p>Subd. 1. Initial taxation within district. Requires a city with a land-value taxation district to compile the total property taxes imposed on all parcels within the district for each taxing jurisdiction. This calculation uses current law tax bases and determines tax as if the parcels were not in a land-value taxation district.</p> <p>Subd. 2. Final taxation within district. Requires a city to reallocate the total property tax imposed on parcels within the land-value taxation district using the method established by the ordinance in section 3. The city would need to send to the owner of each parcel within the district a new property tax statement showing the revised tax amount due on the property.</p> <p>Subd. 3. Report to commissioner of revenue. Requires cities to report to the commissioner of revenue the amount of property tax due on each parcel within a land-value taxation district and the amount of property tax each parcel would have paid if it were not in the district.</p>
5	<p>Appeal of land value.</p> <p>Allows owners of property in a land-value taxation district to appeal the valuation attributable to land separately from the valuation attributable to improvements on the land.</p>



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