

HOUSE RESEARCH

Bill Summary

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Article 1: Homestead Credit Refund and Renter Property Tax Refund

Overview

Modifies the renter and homeowner property tax refund programs, by decreasing the income threshold percentages used to determine eligibility for the homeowner program for income levels over \$19,530, and by making corresponding decreases in the income threshold percentages under the renter property tax refund as well as increasing the maximum refund for renters across all income ranges. Renames the homeowner program the “homestead credit refund.” Provides that most voluntary contributions to retirement plans are not included in household income, and all distributions from retirement plans are included in household income. Requires the commissioner to match property tax data submitted by the counties with income tax and other data collected by the Department of Revenue and notify homeowners whom the commissioner determines may be eligible for the homestead credit refund.

- 1** **Household income.** Modifies the definition of household income used for the property tax refund program (for both homeowners and renters) by excluding a portion of contributions to voluntary retirement plans, and including all distributions from such plans.

Background. The definition of household income used for the property tax refund program begins with federal adjusted gross income (FAGI), but then requires the taxpayer to add a number of income sources not included in federal adjusted gross income such as nontaxable social security benefits, worker’s compensation benefits, veteran’s benefits, etc.

Contributions. Current law includes contributions to all voluntary retirement plans in household income. Contributions to Roth individual retirement accounts (IRAs) are included in FAGI in household income, and property tax refund claimants are required to add to household income nontaxable contributions to voluntary retirement programs such as IRAs, SEP and Keogh plans, 401(k)s and deferred compensation plans.

This section allows claimants to exclude from household income up to \$5,500 in contributions, including contributions to Roth IRAs. The limit on contributions is defined by reference to the contribution limit for IRAs in effect for the tax year, which equals \$5,500 for tax year 2013.

Distributions. Current law includes distributions from all voluntary retirement plans, except Roth IRAs, to be added to household income.

This section requires claimants to include Roth distributions in household income.

Effective date. Effective for refunds based on taxes payable in 2014 and rent paid in 2013.

- 2** **Homestead credit refund.** Names the homeowner property tax refund the “homestead credit refund,” and provides a new schedule for the refund. The new schedule decreases the threshold percentage used to determine eligibility for the refund, for homeowners with household income between \$19,500 and \$105,300, with the threshold decreasing to 2.0

percent for homeowners with household incomes from \$19,500 to \$64,930, and the threshold percentage at the highest income levels eligible decreasing from 3.5 percent to 2.5 percent. The schedule also updates the income brackets and maximum refunds to the amounts projected to be in effect under current law for refunds based on taxes payable in 2014. The reduction in the threshold percentage allows for the number of income ranges in the schedule to be decreased from 27 to 23. Effective beginning with refunds based on taxes payable in 2014.

Background. The refund is also sometimes called the “circuit breaker,” and is a state-paid refund that provides tax relief to homeowners whose property taxes are high relative to their incomes. The refund equals a percentage of property taxes paid over a threshold of income, up to a maximum amount. The income measure used is household income, a broad measure that includes most taxable and nontaxable income, after adjustment for household size. The refund schedule has 27 income brackets: the threshold percentage increases as income increases, the percentage of taxes over the threshold paid by the homeowner (the copayment) also increases as income increases, and the maximum refund decreases as income increases. For refunds based on taxes payable in 2014, the maximum income eligible is projected to be \$105,500.

- 3 Renter property tax refund.** Decreases the threshold percentages under the renter property tax refund to be no higher than the threshold percentages proposed for the homestead credit refund in section 0. The effect is to decrease the thresholds to be two percent for household incomes from \$31,030 to \$57,170, the maximum income eligible. Under current law threshold percentages for incomes from \$31,030 to \$57,170 increase as income increases from 2.2 percent to 3.5 percent. The reduction in the threshold percentage allows for the number of income ranges in the schedule to be decreased from 29 to 22.

Also increases the maximum refund allowed under the renter property tax refund across all income ranges, with the maximum at the lowest income ranges increasing from \$1,620 to \$2,000.

Effective beginning with refunds based on rent paid in 2013.

Background. The refund is also sometimes called the “renters’ credit,” and is a state-paid refund that provides tax relief to renters whose property taxes are high relative to their incomes. Property tax for renters is defined to equal 17 percent of rent paid. The refund equals a percentage of property taxes paid over a threshold of income, up to a maximum amount. The income measure used is household income, a broad measure that includes most taxable and nontaxable income, after adjustment for household size. The refund schedule has 29 income brackets: the threshold percentage increases as income increases, the percentage of taxes over the threshold paid by the renter (the copayment) also increases as income increases, and the maximum refund decreases as income increases. For refunds based on taxes payable in 2014, the maximum income eligible is projected to be \$57,170.

- 4 Homestead credit refund and renter property tax refund; inflation adjustment.** Updates the annual inflation adjustment of the income brackets and maximum refunds for the homestead credit refund and renter property tax refund to be calculated relative to the schedules provided in sections 0 and 0.

- 5 Notification of potential eligibility; report.** Directs the commissioner to undertake a one-time effort in 2014 to notify homeowners who may be eligible for the homestead credit refund, using data from the most recent income tax returns and homestead credit refund claims matched with information about current year homestead property tax information provided by county auditors. Effective for refunds based on taxes payable in 2014, with the notifications due by August 1, 2014.

Requires a report to the legislature on the notification project, due by March 15, 2015. The report is to include information on:

- ▶ the count and dollar amount of homestead credit refund claims anticipated prior to the notification;
- ▶ the number of notifications issued by county;
- ▶ the count and dollar amount of claims processed through December 31, 2014;
- ▶ information on any other outreach efforts conducted by the department.

Article 2: Property Tax Aids and Credits

Overview

- Replaces the current LGA formula with a new formula that makes adjustments to an individual's city aid based on its "aid gap" or the difference between its current aid and its unmet need as measured by the formula.
- The LGA appropriation is increased from the current \$426 million to \$486 million for 2014. The appropriation is increased annually beginning with aids payable in 2015 by between 2.5 percent and 5 percent, depending on the annual growth in (1) inflation for state and local governments, and (2) annual change in total city population.
- Increases the appropriation for County Program Aid (CPA) by \$28 million per year, from \$166 million to \$194 million.
- Imposes a \$5 annual surcharge on homeowners and automobile insurance policies. Dedicates the proceeds for specified fire and police pension purposes.

- 1 Surcharge aid accounts.** (a) Creates a surcharge fire pension aid account in the general fund, to receive the proceeds of the \$5 annual surcharge on homeowners insurance. Requires the commissioner of revenue to allocate the money in the accounts as follows:

(1) 17.342 percent to the Public Employees Retirement Association (PERA) for deposit in the PERA police and fire fund;

(2) 8.658 percent to municipalities employing paid firefighters who have retirement coverage in the PERA police and fire fund;

(3) 74 percent for municipalities other than those receiving money under clause (2). These are municipalities served by volunteer firefighters.

(b) Creates a surcharge police pension aid account in the general fund to receive the proceeds of the annual \$5 surcharge on automobile insurance. Requires the commissioner of revenue to allocate money in the account as follows:

(1) one-third as police state aid to be distributed to employing government entities;

(2) two-thirds to PERA (for deposit as a supplemental state aid in the PERA police and fire fund) and to the Minnesota State Retirement System (for deposit as a supplemental state aid in the state patrol retirement fund).

(c) Requires an annual report from the executive director of PERA.

(d) Specifies the method of determining the number of firefighters and police officers employed by a municipality for purposes of aid distributions under this section.

(e) Specifies timing for payments.

(f) Provides that existing laws that prevent municipalities and relief associations from receiving state aid until financial reporting requirements have been complied with apply to amounts payable under this section.

2 Surcharge on homeowners and auto policies. Imposes a \$5 annual surcharge on homeowners and automobile insurance. Provides that these surcharges are not considered premiums for any other purpose, and that the surcharge must be separately stated on a bill or policy declaration.

Provides for collection and administration of the surcharge, and deposit of revenues into accounts in the state general fund.

Provides that the surcharge terminates when the funding ratios of the state patrol retirement plan and the PERA police and fire plan equal or exceed 90 percent.

3 Pre-1940 housing percentage. “Pre-1940 housing percentage” is defined as 100 times the ratio of total occupied and vacant housing units built before 1940 to the total number of occupied and vacant housing units in the city. For East Grand Forks, the ratio of pre-1940 housing units as of the 1990 census to the total current number of housing units is used to adjust for past floods in the city. This is a need factor for medium and large cities.

4 Percent of housing built between 1940 and 1970. “Percent of housing built between 1940 and 1970” is defined as 100 times the ratio of total occupied and vacant housing units built in 1940 and later, but before 1970, to the total number of occupied and vacant housing units in the city. This is a need factor for large cities.

- 5 City revenue need.** Defines city revenue need per capita for each size of city:
- For cities with a population over 10,000 (large cities): Revenue need = 1.15 times the sum of (1) 4.59 times the pre-1940 housing percentage, (2) 0.662 times the percent of housing built between 1940 and 1970, (3) 169.415 times the jobs per capita, and (4) 307.664.
 - For cities with a population between 2,500 and 10,000 (medium cities): Revenue need = 1.15 times the sum of (1) 572.62, plus (2) 5.026 times the pre-1940 housing percentage, minus (3) 53.768 times household size, plus (4) 14.022 times peak population decline.
 - For cities with a population less than 2,500 (small cities): Revenue need = 410 plus 0.367 times the city population over 100. But the revenue need for these cities cannot exceed \$630 per capita.
- Paragraph (d) provides a transition mechanism for cities between the three need formulas. For the population between 2,500 and 3,000, a city's need is based on both a percentage of its need under the small city formula and a percent of its need under the medium city formula with the percent based on the medium city formula increasing as the population nears 3,000. A similar transition is provided between the medium and large city need formulas for populations between 10,000 and 10,500.
- Retains an inflation index for need measures similar to the one in current law.
- 6 Jobs per capita.** "Jobs per capita" is the average number of annual employees from the quarterly census of employment and wages divided by a city's population. This is a need factor for large cities and the Department of Employment and Economic Development will be required to calculate this every two years for the 95 large cities.
- 7 Peak population decline.** "Peak population decline" is a city's population decline, if any, from its highest population listed in a decennial census from 1970 or later. This is a need factor for medium cities.
- 8 City formula aid.** "Formula aid" for Pay 2014 is a city's 2013 certified aid plus a percentage of the gap between its unmet need and its 2013 certified aid. For aids payable in 2015 and thereafter, "formula aid" is the city's formula aid from the previous year plus the gap between its unmet need and its certified (total) aid from the previous year.
- 9 City aid distribution.** A city's total aid is equal to the sum of its formula aid plus or minus any adjustments in section 10. For aids payable in 2014, no city's total aid may be less than its 2013 aid. For aids payable in 2015 and thereafter, no city's total aid may decrease from the previous year by more than \$10 per capita or an amount equal to 5 percent of its levy in the previous year, whichever is less.
- 10 Certified aid adjustments.** Provides for two aid adjustments from the formula. Paragraph (a) continues to provide the city of Warroad an extra \$150,000 per year for the next five years to compensate them for a commercial property devaluation. This had been a permanent adjustment under current law.

Paragraph (b) makes an adjustment for three cities that were given temporary aid increases that end in 2013 or 2014 under current law. The reduction is gradually phased in due to the annual cap on decreases in section 9. Affected cities are Newport (an extra \$75,000 for 6 years related to the Wacouta bridge), Crookston (\$100,000 for five years related to building on a flood plain), and Mendota (\$25,000 for five years related to sewer infrastructure costs).

- 11 Cities.** Sets the total city aid appropriation at \$486.4 million for aids payable in 2014. The appropriation increases for inflation and population growth under section 10.
- 12 Counties.** Increases county program aid by \$28 million per year for aids payable in 2014 and thereafter by increasing the appropriation for “need aid” and “tax base equalization aid” each by \$14 million.
- 13 Inflation adjustments.** Increases the city LGA appropriation by between 2.5 percent and 5 percent per year based on the growth in the inflation rate for state and local government purchases and the annual growth in total city population.
- 14 Repealer.** Repeals a number of provisions needed for the current LGA formula that are no longer used in the new distribution formula as well as obsolete provisions related to aid reductions over the last several years. Also repeals supplemental aid payments to Mahnomen County, the city of Mahnomen, and the Mahnomen School District.

Article 3: Property Taxes

Overview

Makes miscellaneous changes to the property tax system, including:

- Granting active duty military homeowners a six-month grace period to pay their property taxes;
- Granting property tax exemptions for Target Center and the new St. Paul ballpark;
- Reinstating authority for Hennepin and Ramsey counties to impose an additional tax on mortgage registrations and deed transfers; and
- Providing a one-year moratorium on changes in the taxable status of property involved in the production of biofuels and related industries.

- 1 Evaluation and report.** Extends the maximum amount of time the Board of Water and Soil Resources (BWSR) has to evaluate a local water management entity’s progress in accomplishing its plan to ten years (from five years) and allows the board to determine the frequency based on the budget and operations of the entity.

- 2 Tax levy authority.** Broadens tax levy authority by allowing a county, municipality, or township to levy for implementation funds for a comprehensive watershed management plan. Also clarifies that counties may levy for the reasonable costs to soil and water conservation districts for administering and implementing programs identified in the plans.
- Comprehensive watershed management plans may consist of county water plans, watershed management plans, and/or county groundwater plans, or a new option (created last session) that allows a more comprehensive plan to be approved as a replacement to such plans.
- 3 Financial assistance.** Requires a county that implements a water implementation tax to raise matching funds for base grants awarded by BWSR to levy at a rate that is sufficient to generate a minimum amount (to be determined by BWSR). Authorizes the use of funds raised by metropolitan county conservation fees (a \$5 fee on mortgage and deed recordings/registrations) to be used as matching funds for the base grants and to address high-priority needs in local water management plans or comprehensive watershed management plans.
- 4 Cost-sharing funds.** Eliminates cost-share fund allocation requirements that required 70 percent of cost-share funds to be allocated to certain areas and no more than 20 percent to be allocated for technical and administrative assistances. Requires funds for technical assistance to be used to leverage federal or other nonstate funds or address high-priority needs in local water management plans or comprehensive watershed management plans.
- 5 Authority.** Allows soil loss ordinances adopted by counties, cities, and towns to use the soil loss tolerance for each soil type developed by BWSR, in addition to those in the United States National Resources Conservation Service Field Office Technical Guide which is the currently only approved source. (Soil loss tolerance is the maximum annual rate of soil loss by erosion that will permit crop productivity to be sustained.) Requires soil loss ordinances to be consistent with a comprehensive plan, local water management plan, or watershed management plan.
- 6 Certain property owned by Indian tribe.** Creates a property tax exemption for certain property located in Minneapolis owned by a federally recognized tribal governments used for tribal government activities or services to members of the tribe. The bill explicitly provides that the exemption applies only to property used for non-commercial and non-residential purposes. Limits the exemption to no more than two contiguous parcels. Provides that the exemption expires with taxes payable in 2024.
- 7 Target Center; property tax exemption.** Provides a property tax exemption for the Target Center. The exemption does not apply to any portion of the facility leased for business purposes unrelated to the operation of the arena, including a restaurant open more than 200 days a year.
- 8 St. Paul ball park; property tax exemption.** Grants a property tax exemption for a city-owned ball park primarily used by a minor league team. The ball park remains subject to special assessments.

- 9 Valuation limit for class 4d property.** Limits the taxable value for class 4d property (low-income multi-family housing) to \$100,000 per housing unit for taxes payable in 2014. In succeeding years, the limit is indexed to the average rate of change in value for all class 4a (“regular” apartments) and 4d property in the state.
- 10 Due dates; penalties.** Inserts a cross reference to section 11.
- 11 Federal active service exception.** Grants a six-month grace period for complying with the property tax due dates for homestead property owned by an individual who is on federal active service. No late fees or penalties may be assessed during this period. The taxpayer must also provide proof of the dates of active federal service at the time of payment.
- 12 Delinquent property.** Provides that property owned by an individual who is on active federal service on the property tax due date shall not be deemed delinquent. The bill moves the October 1 due date to April 16 of the following year, and under current law all property with outstanding taxes on January 1 is delinquent. This section allows the grace period while preventing the property from being deemed delinquent.
- 13 Hennepin and Ramsey counties; mortgage registry tax authorization.** Codifies the authority for Hennepin and Ramsey Counties to levy an additional mortgage registry tax in the statute governing mortgage registry taxes.
- 14 Hennepin and Ramsey counties; deed tax authorization.** Codifies the authority for Hennepin and Ramsey counties to levy an additional deed tax in the statute governing deed taxes.
- 15 Cook-Orr hospital district.** Modifies the levy authority of the Cook-Orr Hospital District by allowing the levy to be used to purchase equipment, parts, and replacement parts for ambulances, in addition to the existing authority to purchase ambulances. Maintains the current prohibition on using the levy for operating costs. Also provides that the proceeds of the levy be divided equally between the Cook ambulance service and the Orr ambulance service.
- 16 Sawyer cemetery levy.** Reinstates and makes permanent Carlton County’s authority to levy in and for the unorganized territory of Sawyer for cemetery purposes. Eliminates the \$1,000 annual cap on the levy. Requires local approval.
- 17 Levy authority.** Extends the authority of the Northwest Minnesota Multicounty Housing and Redevelopment Authority to levy up to 25% of its total levy authority on its own by five years, through taxes payable in 2018.
- 18 Marshall County farm homesteads.** Allows farmers in Marshall County who were forced to move away from their farms due to flooding in 2009 to continue to receive agricultural homestead classification on the farmland indefinitely, provided they continue to reside in Minnesota within 50 miles of the land. This provision was originally adopted in 2010 on a temporary (two-year) basis.

- 19 Entertainment facilities coordination.** Directs Minneapolis and St. Paul to establish a joint governing structure for marketing, promotion, and scheduling of the Target Center in Minneapolis and the Xcel Energy Center in St. Paul by January 1, 2015.
- Requires the cities to report to the legislature by February 1, 2014, their study of providing a joint governing structure, including the feasibility of placing the facilities under the Minnesota Sports Facilities Authority, which owns and operates the Metrodome and eventually the new Vikings stadium. Requires the cities to do the study with representatives of the primary professional sports team tenants of each facility – the Wild hockey team in the Xcel Center and the Timberwolves basketball team in the Target Center.
- 20 Isanti area fire district.** Authorizes creation of the Isanti Area Joint Operating Fire District encompassing the city of Isanti and surrounding towns, plus cities and towns contiguous to the named towns. Allows the district to impose a property tax levy on all property in the district for operating expenses and debt.
- 21 Moratorium on assessment changes.** Prohibits assessors from changing current assessment practices with regard to the taxable status of property used in the production of biofuels and other industries that use similar types of equipment. Effective for taxes payable in 2014 only.
- 22 Repealer.** Paragraph (a) repeals the June 30, 2013 expiration of cities' authority to establish new special service districts or housing improvement areas, thereby making the authorizations permanent. Paragraph (b) repeals the sunset on the Hennepin and Ramsey County additional taxes on mortgage registrations and deed transfers.

Article 4: Economic Development

Overview

This article includes:

- \$1.5 million allocation for border city enterprise zone tax reductions.
- The Mall of America (MOA) financing that uses the fiscal disparities taxes paid by properties located in the two tax increment financing (TIF) districts.
- An adjustment to the original net tax capacity for TIF districts that suffered large reductions in captured tax capacity as a result of enactment in 2011 of the homestead market value exclusion.
- Special TIF law provisions for the cities of Bloomington, Ely, Glencoe, Maplewood, Oakdale, and St. Cloud, and the Dakota County Community Development Agency.
- A value capture district for the city of Minneapolis to fund a downtown streetcar line.

- 1 Public bidding requirement.** Modifies the Bloomington Port Authority's special law

exception to the general law, competitive bidding requirements. Under present law, this exception is limited to structured parking constructed above, below, or adjacent to the development. The section expands the exemption to apply regardless of the source of port authority funds used (present law is limited to TIF and revenue bonds) and to extend it to other public improvements in addition to structured parking.

- 2** **Border city funding.** Allocates \$1.5 million for border city enterprise zone and border city development zone tax reductions. This allocation is divided equally between the two programs (\$750,000 to each), but the city can reallocate the amounts between the two programs. The allocation is divided among the qualifying border cities on a per capita basis. The five cities that qualify are Moorhead, Dilworth, East Grand Forks, Breckenridge, and Ortonville.
- 3** **Economic development districts.** Eliminates obsolete language related to the qualified retail facilities (the substantive definitions were repealed in 2010) and the temporary exemptions under the 2010 jobs bill.
- 4** **General government use.** Eliminates the prohibition on using tax increments for improvements and equipment that either primarily serve a decorative or aesthetic purpose or whose costs are twice as high because of the selection of the types of materials or designs compared with more commonly used improvements or equipment.
- 5** **4-year knockdown rule.** Extends the temporary two-year extension of the four-year rule that applies to TIF districts certified between January 1, 2005 and April 20, 2009 through December 31, 2016.

Background. The four-year rule is often referred to as the four-year knockdown rule. The rule requires development activity to occur on a parcel located in a TIF district within four years after the district is certified or the parcel is dropped from the TIF district. The parcel is re-instated if development activity occurs, but at its current value (not the value at the time of certification of the district). The knockdown rules can be satisfied by demolition, rehabilitation, or renovation (public or privately financed) of improvements on the parcel or by improvement of a public street adjacent to the parcel. Installing utilities (e.g., sewer and water service) does not qualify. The rule was designed to prevent TIF from being used to capture tax on inflation in the value of parcels on which no development activity occurred. In the recent real estate environment, little general inflation in land and property values has been occurring.

- 6** **Adjustment to original net tax capacity.** Authorizes development authorities to elect to reduce the original net tax capacity of a TIF district for the effects of enactment of the homestead market value exclusion (HMVE). This election must be approved by the municipality (typically the city in which the TIF district is located or the county for TIF districts located in towns). The election is limited to “qualified TIF districts” – generally districts that have a large loss in captured tax capacity as a result of enactment of the HMVE.

To qualify for the election, a district must satisfy three criteria:

1. The district received a homestead market value credit of \$10,000 or more for taxes

payable in 2011 (the last year before the credit was replaced by the HMVE).

2. The district's captured net tax capacity must have dropped by at least 1.75% as a result of the MVE for taxes payable in 2013 (the most recently available year).
3. Either the district's 5-year rule must still be open (that is, the increments are still permitted to be spent) or the district must not have enough increment to pay its outstanding bonds.

For a qualified district, the subtraction will equal the reduction in net tax capacity of the TIF district that results from the HMVE for taxes payable in 2013. The subtraction cannot reduce original net tax capacity below zero. An election must be made before July 1, 2014. For an election to apply for taxes payable in 2014, it must be made by July 1, 2013.

- 7 Fiscal disparities calculations; MOA funding.** Provides that commercial-industrial tax capacity in the MOA TIF districts is exempt from contributing to the areawide pool and that tax increments in the MOA TIF districts include the tax that would normally be paid to the areawide pool.

Effective date: Taxes payable in 2014, but for this provision to take effect, the city clerk for Bloomington must certify to the Hennepin County auditor that the city has entered a binding, written agreement to rehabilitate or replace the Old Cedar Avenue bridge.

- 8 Bloomington Central Station (BCS) TIF.** Makes three changes in Bloomington's BCS TIF district:

- Extends the 5-year rule from 10 years (under 2008 special legislation) to 15 years.
- Allows the city to extend the duration of the district through 2039 (an eight-year extension)
- Unfreezes the original tax capacity rate, allowing the district's increment to be calculated using the current tax rate, not the rate that was in effect when the district was certified.

- 9 Oakdale TIF.** Modifies the special TIF law for the city of Oakdale, passed by the legislature in 2008 and modified in 2009, granting the city authority to deviate from general law rules with regard to TIF districts created in a defined area of the city. This bill makes two changes in the special law authority:

- The period of time that the city has to establish TIF districts under the special law is extended by four years from 2013 to 2017.
- An exemption is provided to the general law "blight test" rules. The blight test (essentially a requirement that an area contain "blighting" conditions that legally justify creating a redevelopment TIF district) requires that 70 percent of the parcels in an area be occupied by buildings or other qualifying structures and that 50 percent of the buildings be substandard. A parcel can be treated as being occupied by a substandard building if the parcel was occupied by a substandard building that was demolished within three years of certification of the district and if a four-part test is

satisfied. The bill provides special rules for meeting this four-part test:

- The three-year time limit between demolition of the building and the certification of the district does not apply.
- The requirement that private demolition (if done by the property owner rather than the development authority) be done under a development agreement does not apply.

The adjustment to original net tax capacity (increasing it for any reduction in tax capacity resulting from demolition of the building) does not apply. This is consistent with the original special law, which allowed the city to set the original tax capacity at the land value.

- 10 MOA TIF district; property transfer and extension.** Allows the port authority and city of Bloomington to elect to transfer several parcels between the MOA TIF districts. This will allow these undeveloped parcels on the northern edge of the district containing the mall to be shifted to the district containing the site of the former Met Center. This would have the effect of extending by three years the ability to collect increments from these parcels.

In addition, this section allows Bloomington to extend the two MOA TIF districts through 2033 (a 17-year extension for the district containing the mall and 14-year extension for the district containing the Met Center site). During the extension, however, increment would be limited to the special fiscal disparities computation provided by section 7; local tax rates for the city, county, school, and special districts would be computed including the captured tax capacity of the TIF districts. The extensions would terminate for taxes payable in 2024, if new improvements, worth at least \$100 million, have not been constructed in District No. 1-G (the district containing the former Met Center) by January 1, 2021.

This provision is effective upon local approval by the city, but does not require approval by the county or school district, since the entire area covered by the fiscal disparities tax is affected equally, not just the school or county. In addition, the provision does not become effective unless the city has entered a binding, written agreement to rehabilitate or replace the Old Cedar Avenue bridge.

- 11 St. Cloud TIF.** Deems TIF District No. 2, referred to as the Norwest District, in the city of St. Cloud, a “gap district,” that is a district for which the request for certification was made on or after August 1, 1979 and before July 1, 1982. This will clarify an issue (which cannot be resolved in the city’s records) of when the district was certified and what TIF rules apply to it. “Gap districts” were created before the 1982 legislature allowed “pooling” of increments for new TIF districts.

- 12 Dakota county CDA TIF; West St. Paul.** Allows the Dakota County Community Development Agency (CDA) to establish a redevelopment TIF district in the city of West St. Paul. This district would consist of the parcels of a redevelopment district that was decertified in 2012; the original tax capacity of the district is set at \$93,239. The district is treated as a redevelopment district, but it must be decertified in 2018. Under general law, a redevelopment district is allowed 26 years of increment, as contrasted with the five years allowed to this district. Alternatively, the bill could be viewed as a 5-year extension of the pre-existing district, since the original tax capacity is set at the level of the decertified

district. From that perspective, the district would be allowed 31 years of increment.

This district would be exempt from the blight test (i.e., the rules that restrict areas that qualify as redevelopment districts) and is provided exemptions for the following limits on the spending of redevelopment district increments:

- The requirement that increments be used for blight correction does not apply.
- The pooling rules (percentage limits on how much increment may be spent on activities outside of the TIF district) do not apply.

The district's captured tax capacity is included for computing state aid formulas (e.g., local government aid, county program aid, education aid, and so forth).

- 13 Glencoe TIF extension.** Authorizes the city of Glencoe to extend the duration of its TIF district No. 4 through December 31, 2023. This district is a redevelopment district that is required by general law to be decertified in 2013, so this is a ten-year extension and the district would have a 35-year duration.

The additional increment collected during the extension would be limited to paying debt service on bonds that were outstanding on January 1, 2013 for public improvements serving:

- the city's TIF district No. 14 (a redevelopment district certified in 2004);
- the city's TIF district No. 15 (an economic development district certified in 2007); and
- benefited properties related to a series of special assessment bonds issued in 2007 (or refunding bonds).

Effective date: Upon local approval by the city, county, and school district.

- 14 Ely TIF extension.** Allows the city of Ely to extend the duration of its TIF district No. 1 by four years (from 2017 to 2021). The city is also permitted to transfer increments from TIF District No. 3 to pay binding obligations of the TIF District No. 1, which has a deficit. This transfer is limited to \$168,000 or the amount of the shortfall in District No. 1, whichever is less.

Effective date: Upon local approval by the city, county, and school district.

- 15 Maplewood TIF.** Authorizes the city of Maplewood to establish TIF districts within an area of the city defined by reference to a property tax parcel number, which presumably consists of all or part of the corporate campus of the 3M Company. If the city so elects, these TIF districts will be subject to special law rules that differ from those under general TIF law.

The city could approve TIF plans and establish districts under this authority through December 31, 2018.

The following special rules or exemptions from general law would apply to districts certified in the defined project area:

- **Blight test exemption.** Redevelopment districts could be established without meeting the blight test. Ninety percent of increments from the district, unlike a general law redevelopment district, would not be required to be spent on correction of blight.
- **Pooling exemption.** So long as increments are spent within the defined project area, restrictions on pooling increments (that is, spending on activities outside of the TIF district) do not apply.
- **5-year rule exemption.** The 5-year rule, which requires spending to be completed within 5 years of certification of the district, is extended to 10 years.
- **1-year knockdown rule.** Parcels in a district would be subject to a 1-year knockdown rule – that is, if construction does not start on a parcel within one year after its certification for inclusion in the TIF district, the parcel would be dropped from the district and could only be reinstated when construction actually begins. Under general law, a four-year period applies.

16 Minneapolis value capture district for transit. Authorizes the city of Minneapolis to create a value capture district to finance construction of a streetcar line and related improvements. The city could include parcels in the district that are located in four defined areas of its downtown (three of the areas consist of one block and the other two blocks). Revenues from the district would be calculated using the same method that applies under the TIF law, except current tax rates would be used, rather than a certified original tax rate.

Revenues from district may be spent for items within an area located one block on either side of the streetcar line, the location of which would be determined by the city. Permitted uses of district revenues are limited to:

- planning and design for the streetcar line;
- acquiring, constructing, and equipping the line;
- transit stations;
- related public infrastructure improvements (sidewalks, street improvements, and so forth).

District revenues may not be used to pay for operation of the streetcar line.

The city is authorized to issue bonds without an election under the authority.

The duration of the district is limited to 25 years or the time needed to pay for the capital improvements, including bonds, if that is shorter.

Article 5: Mining Taxes

Overview

This article imposes a new \$1/ton tax on silica sand extraction (mining) and a 3 percent tax on processing of silica sand.

The article also makes following changes in the distribution of the taconite production tax revenues:

- Eliminates the subtraction (1.8 percent of the school district's net tax capacity) from taconite school referendum aid, increasing the aid payments.
- Reduces the distribution to the taconite economic development fund (TEDF) by ten cents per ton. (This money is paid back to the mines as grants for improvements to the mine's operations.)
- Reduces the distribution to the property tax relief fund by 8.5 cents per ton. (This fund pays the taconite homestead credit.)
- Provides one-time distributions to the cities of Hibbing and Mountain Iron in 2013.
- Authorizes the Iron Range Resources and Rehabilitation commissioner to issue bonds to finance school capital projects for schools in the two taconite areas.

1 Silica sand mining account. Establishes a silica sand mining account in the special revenue fund. A portion of the proceeds of the tax imposed by section 3 is deposited in this account. The account is available, as appropriated by law, to develop model standards and to provide technical assistance to counties.

2 Definitions. Defines terms used in the taxation of silica sand mining and processing.

3 Tax imposed; deposit of proceeds. Imposes a tax of \$1 per ton on the mining of silica sand and a separate processing tax equal to 3 percent of the market value of the sand (determined based on the sale price).

The first \$2 million of revenues from the taxes (\$2,690 for FY2015) annually are deposited in the special silica sand account established by section 1 and the remainder in the general fund.

4 Reporting and registration. Establishes registration and reporting requirements for firms that mine or process fracturing sand. Monthly reports must be filed with DOR showing the amount of sand mined or processed. In addition, records necessary to document the amount of tax (e.g., scale records, invoices and so forth) must be kept for 3½ years after each monthly report.

5 Limitations on time of taxation. Establishes a 3½ year statute of limitation for the assessment of tax (measured from the filing of the return) and payment of refunds (measured from the due date of the return). The statute of limitations does not apply to false or fraudulent returns and is extended to 6½ years for understatements of 25 percent or more.

Rules for bankruptcy and extension agreements are also established.

6 Civil penalties. Imposes the following penalties:

- Failure to pay: 5 percent for each 30-day period up to a maximum of 15 percent
- Failure to file: 5 percent
- Intentional or negligent disregard: 10 percent
- False or fraudulent return: 50 percent
- Pattern of repeated failure to file or pay: 25 percent

7 Criminal penalties. Imposes the following criminal penalties:

- Knowing failure to file or pay tax: gross misdemeanor
- Filing (or assisting in the preparation of) a return known to be false or fraudulent: felony
- Knowing submission of materially false information, failure to maintain records, and falsifying records or returns: gross misdemeanor
- Second violation within five years after a violation: gross misdemeanor
- Violating other provisions of the tax that do not have a specific penalty: misdemeanor

The statute of limitation on criminal violations is six years.

8 Interest. Provides that regular statutory rate of interest on unpaid state taxes applies to unpaid taxes, assessments, erroneous refunds, judgments, and penalties. (Interest rules for payment of refunds is not specified.)

9 Taconite school referendum aid. Increases the distribution of taconite production tax proceeds to school districts with referendum levies by eliminating from the distribution formula a subtraction based on the size of each district's tax base. Two-thirds of the additional aid would come from the Taconite Environmental Fund and one-third from the Douglas J. Johnson Economic Fund.

10 Property tax relief. Reduces the distribution to the fund that pays for the taconite homestead credit by 8.5 cents/ton (from 43.8 cents/ton to 35.3 cents/ton). This will increase the amount available to the residual distribution to the Taconite Environmental Fund and the Douglas J. Johnson Economic Fund, offsetting the increased distributions to schools under section.

Effective date: 2014 distribution.

11 Taconite economic development fund (TEDF). Reduces the distribution to the TEDF by ten cents per ton. Under present law, the TEDF sets aside 32.4 cents per ton of the production tax revenues of each mine to provide grants for its capital improvements. The amount available for these grants to the mining companies would be reduced by 10 cents per

ton.

Effective date: 2014 distribution.

12 Aggregate tax. Requires listed counties to impose the 15 cent/ton (or 21.5 cents/cubic yard) aggregate tax. Under current law, county are authorized, but not required, to impose the aggregate tax at those rates. In addition, the section authorizes counties to impose an additional aggregate tax up to 100 percent of the current rates. These funds are to be apportioned by the statutory formula under current law. The section also deletes the temporary authority allowing certain counties to impose a lower aggregate tax through the end of calendar year 2014. As a result, all counties imposing the tax will be required to do so at a rate not less than the current statutory rate, and not more than 200 percent of that rate.

13 2013 one-time distributions. Provides for one-time distributions (amounts are blank in the amendment) to the cities of Hibbing (for a water supply improvement) and Mountain Iron (to move city utilities). These distributions would come out of the moneys that otherwise would be distributed to the property tax relief fund.

Effective date: 2013 distribution.

14 IRRR school bonds. Authorizes the Iron Range Resources and Rehabilitation commissioner to issue bonds to make grants to school districts in the taconite tax relief areas for capital projects. These bonds would be paid by production tax distributions equal to ten cents per ton. This will equal the reduction in the distribution to the TEDF under section 11. The bonds would qualify for the credit enhancement program that applies to bonds directly issued by school districts.

Effective date: 2014 distribution.

15 Iron Range Fiscal Disparities Study.

Subdivision 1. Study required. Requires the commissioner of revenue to conduct a study of the Iron Range fiscal disparities program. The study is to be completed by February 1, 2015. The charge of the study is identical to the language commissioning a study of the metro fiscal disparities program in 2010. It requires the study to analyze:

- the extent to which benefits of economic growth in the region are shared throughout the region;
- the program's impact on the variability of tax rates across the region;
- the program's impact on the distribution of homestead tax burdens in the region; and
- the relationship between program impacts and overburden.

Subd. 2. Areawide levy. Requires \$75,000 to be added to the areawide levy for taxes payable in 2014 to pay for the study.

Subd. 3. Appropriation. Appropriates money for the study to the commissioner of revenue. Provides that any unspent funds be returned to the areawide pool for taxes payable in 2016.

Article 6: Local Sales Taxes

Overview

Clarifies the treatment of accommodations intermediaries for local lodging taxes.

Modifies existing sales tax provisions in the following cities:

- Clearwater
- Central cities (St. Cloud area)
- Proctor
- St. Paul

Allows a new food and beverage tax and lodging tax in the city of Bemidji.

- 1 **Tax base; locally collected taxes.** Clarifies that the local lodging taxes under general or special law apply to the same base as the state definition of taxable lodging, which in includes related services provided by accommodation intermediaries (i.e. online travel companies).
- 2 **Collection (local lodging taxes).** Requires that if a local government imposes a local lodging tax that is not collected by the state, the local government may only require one payment per year from an accommodations intermediary and must notify the company of the due date for that payment.

Effective for sales made after June 30, 2013.
- 3 **Use of revenues (St. Paul).** Allows the city of St. Paul to deposit into an economic development fund any portion of the 40 percent of its sales tax revenue dedicated to the St. Paul Civic Center Complex not needed for meeting civic center obligations.
- 4 **Use of revenues (St. Cloud).** Modifies one of the existing allowed uses of the sales tax in the city of St. Cloud to limit funding to *regional* community and aquatic and recreational centers.
- 5 **Termination of tax (central cities).** Allows each city to extend the tax in its community from 2018 to 2038, provided the extension is approved by the voters at a general election held by November 6, 2018. The vote must still list the projects to be funded from the tax extension but the tax does not have to expire for one year before being re-imposed.

- 6 Use of Revenues (Clearwater).** The bill provides a specific list of park and trail improvements that the city of Clearwater may fund with its local sales tax. The total amount of revenue that the city may raise from the sales tax remains the same as it was in the original 2008 authorizing legislation – \$12 million.
- 7 City of Proctor; validation of prior act.** Allows the city to approve the extended uses and additional bond authority authorized under 2008 and 2010 special law by passing a resolution and filing the approval with the secretary of state by January 1, 2014. The additional bonding authority in the 2010 law was already approved by the city voters.
- 8 Bemidji; local taxes authorized.** Allows the city of Bemidji to impose, by ordinance up to a one percent, food and beverage tax and a one percent local lodging tax. Proceeds from the taxes are to fund operating, maintenance, and capital replacement costs for the Sanford Center. The city may agree to allow the commissioner of revenue to administer and collect the tax.

Article 7: Market Value Definition

Overview

This bill converts the computation of levy, tax, spending, debt, and similar limits that are based on “market value” or “taxable market value” to estimated market value. This is done in response to the 2011 law that replaced the market value homestead credit with the market value exclusion and had, following a Department of Revenue interpretation, the consequence of reducing these limits by the amount of the new exclusion. Using estimated market value will base these limits on the assessor’s estimate of the properties’ fair market value, including any board or court orders adjusting that value, but before any exclusions, adjustments, or other changes are made to the value for tax or legislative policy purposes (e.g., green acres and similar deferrals and the homestead market value or other exclusions).

Section

- 1 County fairgrounds improvement expenditures.** Converts from taxable to estimated market value the qualifying criterion (a minimum of \$105 million of market value) that permits a city, town, or school district to spend up to \$10,000 per year on county fairgrounds improvements.
- 2 County agriculture and conservation land assistance program; required levy.** Converts the minimum levy required for a county to participate in the state agricultural land preservation and conservation assistance program from a percentage of taxable market value to estimated market value. This levy is capped at \$15,000.

- 3 **State police and fire aid; definitions.** Modifies the definitions for state police and fire aid to refer to estimated market value, rather than market value. Market value is used to allocate the amount of fire aid among recipient jurisdictions. The definition includes tax exempt market value.
- 4 **Apportionment of state fire aid.** Provides for apportionment of state fire aid among recipient jurisdictions (cities, towns, and various other governmental units) based on estimated market value, rather than market value.
- 5 **State fire aid.** Changes a reference in state fire aid from market value to estimated market value.
- 6 **Auxiliary forest.** Deems the market value of land in an auxiliary forest for all purposes other than taxation to be based on estimated, rather than taxable, market value.
- 7 **Watershed management tax district; levy limit.** Converts the watershed management tax district levy limit in rural towns from a limit based on 0.02418 percent of taxable market value to the same percentage of estimated market value.
- 8 **Watershed management organizations; bond levy.** Converts the levy limit on watershed management organization bond levies in rural towns from a limit based on 0.02418 percent of taxable market value to estimated market value.
- 9 **Lake Minnetonka Conservation District, total funding limitation.** Converts the total funding limit that applies to the Lake Minnetonka Conservation District from 0.00242 percent of taxable market value to estimated market value. This limit may be exceeded by resolution of three-fourths of the participating municipalities.
- 10 **White Bear Lake Conservation District; municipal levy limits.** Converts the levy limit for municipalities to fund the White Bear Lake Conservation District from 0.02418 percent of taxable market value to estimated market value. This affects the cities of White Bear Lake, Dellwood, and Mahtomedi, and the town of White Bear.
- 11 **Watershed districts; organizational expense fund.** Converts the cap on a watershed district's organizational expense fund, which is funded by a property tax levy, from a limit based on 0.01596 percent of taxable market value to estimated market value. This fund is capped at \$60,000.
- 12 **Watershed districts; general fund and basic features levy limits.** Converts the limit on a watershed district's general levy limit from one equal to 0.048 percent of taxable market value to estimated market value. This levy cannot exceed \$250,000. An additional 15-year levy for basic water management features, if petitioned for by 50 or more resident owners, is also converted from taxable market value to estimated market value.
- 13 **Watershed districts; survey and data acquisition levy.** Converts the limit on a watershed district's survey and data acquisition levy limit from 0.02418 percent of taxable market value to estimated market value. This levy may only be imposed once every five years.

- 14 Eminent domain blight test.** Modifies the definition of “structurally substandard” under the blight test in the eminent domain law to refer to estimated market value, rather than taxable market value. This test limits certain uses of the eminent domain power to properties where the cost of curing housing and similar types of code violations exceeds 50 percent of the value of the property. Under the changes, this would be measured against estimated, rather than taxable, market value.
- 15 Computation of adjusted net tax capacity or ANTC.** Requires the Department of Revenue (DOR) to compute ANTC values for cities and counties. ANTCs are used in various state aid formulas that are based on “equalized” tax base amounts (i.e., adjusted for the variations in assessment practices using assessment sales ratios). The statute now refers only to the computations for school districts. Changes in the section also clarify that these computations use values that reflect fiscal disparities, tax increment financing, and the power line credit. All of these changes codify the current DOR practice. Section 111 directs the Revisor to recodify this statute in the property tax statutes.
- 16 County historical society levy.** Converts the city and town levy limit for county historical societies from 0.02418 percent of taxable market value to estimated market value.
- 17 EMS district levy limit.** Converts the emergency medical service EMS taxing district levy limit from 0.048 percent of taxable market value to estimated market value. This levy is capped at \$400,000.
- 18 CSAH formula; rural counties.** Converts the levy calculation in the county state aid highway (CSAH) formula for rural counties from 0.01596 percent of taxable market value to estimated market value. This levy determines the expected local contribution under the formula.
- 19 CSAH formula; urban counties.** Converts the levy calculation in the CSAH formula for urban counties from 0.00967 percent of taxable market value to estimated market value. This levy determines the required local contribution under the formula.
- 20 Mandated expenditure of CSAH money; exemption.** Modifies the exemption from a mandate on counties to spend CSAH money on bridge and dam improvements in statutory, third, and fourth class cities. Under present law, this requirement does not apply to cities with taxable market value of more than \$2,100 per capita. This measure is converted to an estimated market value base.
- 21 County road and bridge levy in unorganized townships.** Modifies qualifying rules related to expenditure of the county road and bridge levy in unorganized towns from valuation based on taxable market value to estimated market value. This provision applies only to counties with unorganized townships and between 95 and 105 full or fractional townships and values between \$12 million and \$21 million. An obsolete reference to base for the property tax on “money and credits” is repealed; this tax was eliminated in the 1930s.
- 22 County road and bridge bond limit.** Converts the limit on county road and bridge bonds from 0.12089 of taxable market value to estimated market value and repeals a reference to the obsolete property tax on money and credits.

23 Estimated market value; definition. Defines “estimated market value” for purposes of the property tax statutes as the assessor’s determination of market value, including any board orders, for the parcel of property. The definition of estimated market *for a taxing district* in section 25 governs the computation of tax levy limits, debt limits, and state aid computations. This section contains the general definition of a *parcel’s* estimated market value.

24 Taxable market value; definition. Defines “taxable market value” for purposes of the property tax statutes as the estimated market value of the parcel reduced by:

- Market value exclusions
- Deferments of value (e.g., green acres, rural preserves, open space, metropolitan agricultural preserves and so forth)

Other adjustments that reduce market value before class rates are applied.

25 Market value definition; computation of levy limits, debt limits, and state aid. Converts from taxable market value to estimated market value the definition of “market value” in the statute that provides the general rules for computing tax levy limits, debt limits, and state aid computations based on market value. Under current law, taxable market value is computed after (1) limited market value (which has expired and is obsolete) and (2) the “This Old House” valuation exclusion, but includes tax exempt wind energy values. In addition, it provides that market value does not reflect adjustments for TIF, fiscal disparities, and the power line credit. In applying the statute, DOR has excluded a variety of minor valuation exclusions that are not referenced in the statute. This section now specifically references the minor exclusions, while providing that estimated market value is the value before these adjustments.

By converting the limits to estimated market value, the definition will not reflect the reductions or shifts in value caused by the following:

- The various deferrals, such as green acres, open space, rural preserves and so forth – this is a policy change from current practice and will increase limits somewhat in areas with these properties.
- Exclusions, including the homestead market value exclusion enacted by the 2011 legislature, as well as the more minor exclusions in prior law – this reflects either a change in the way the statute is written or DOR practice, but under prior law (before enactment of the homestead market value exclusion) these amounts were very minor.
- Adjustments to tax capacity, such as fiscal disparities and TIF – this is the same as current practice.

Present law requires that tax exempt wind energy property be added to taxable market value. The section reverses that, confirming apparent local administrative practices in the counties with the largest amounts of this property.

The measure of estimated market value for tax limits is the amount for the previous assessment year, while for debt limits it is the most recently available amount.

Limits under special law and city charters that are based on market value are also converted to estimated market value.

- 26 Cross reference.** Corrects a cross reference to a subdivision (relating to the value of platted land) that was recodified as two subdivisions in 2008.
- 27 Manufactured home park cooperative.** Eliminates a reference to the repealed market value homestead credit with a reference to the market value homestead exclusion.
- 28 Homestead application.** Replaces a reference to the repealed market value credit with a reference to the market value exclusion.
- 29 Tax definition.** Eliminates an obsolete reference to gross tax capacity.
- 30 Disparity reduction aid (DRA).** Requires taxable market values to be used in the computation of DRA, since DRA computations are based on net tax capacity, which is always based on taxable market value.
- 31 Disparity reduction credit (DRC).** Confirms that the DRC will continue to be computed using taxable market value. This prevents the definitional change in section 25 from modifying the computation of the DRC.
- 32 Levy limits based on mill rates; growth factor.** Provides that the law converting old special law and city charter provisions containing levy or mill rate limits will provide increases based on the rate of growth in estimated market value, rather than taxable market value.
- 33 Correction of town levies.** Modifies the thresholds used to determine which year's levy a correction of mistakes in town levies will be added to from a percentage of taxable market value to estimated market value.
- 34 Obsolete levy limit law.** Converts the growth factor under the old (last effective for the 2010 levy) levy limit law for commercial-industrial property from taxable to estimated market value.
- 35 Contents of tax statement.** Updates a cross reference in the statute specifying the contents of the property tax statement to the new definition of taxable market value contained in section 24 and eliminates an obsolete reference to limited market value.
- 36 Iron Range fiscal disparities; adjusted market value.** Defines "adjusted market value" for the purposes of the Iron Range fiscal disparities law to be taxable market value, adjusted by the sales ratio. This change confirms existing practice, which is contrary to the statute's use of estimated market value.
- 37 Iron Range fiscal disparities; fiscal capacity.** Clarifies that fiscal capacity under the Iron Range fiscal disparities law is based on adjusted market value.
- 38 Iron Range fiscal disparities; average fiscal capacity.** Clarifies that average fiscal capacity under the Iron Range fiscal disparities law is based on adjusted market value.

- 39 Iron Range fiscal disparities; net tax capacity.** Clarifies that net tax capacity under the Iron Range fiscal disparities law is based on taxable market value.
- 40 Iron Range fiscal disparities; adjustment of values.** Eliminates the mandate that limits on levies, aid, taxes, debt, or salary based on values be adjusted to reflect the effect of the Iron Range fiscal disparities law. (Most of these limits will be based on estimated market value, which does not reflect the effects of fiscal disparities.) The section also clarifies computation of fiscal capacity (used to compute distributions) to be consistent with administrative practices.
- 41 Allocation of multi-county mortgage registry tax collections.** Provides that the county portion of collections of mortgage registry tax paid for mortgages on properties in multiple counties is allocated among the counties using the estimated, rather than taxable, market value of the properties.
- 42 Allocation of multi-county deed tax collections.** Provides that the county portion of collections of deed tax paid for properties in multiple counties is allocated among the counties using the estimated, rather than taxable, market value of the properties.
- 43 Employer contributions to volunteer firefighters' pensions.** Provides that one-half of additional contributions to a volunteer firefighters' pension fund, required as a result of insufficient fund assets, to be allocated to employer-municipalities in proportion to their estimated, rather than taxable, market values.
- 44 Major town purchases.** Converts the threshold that subjects large contracts for town purchases to reverse referendum authority from 0.24177 of taxable market value to estimated market value.
- 45 Town certificates of indebtedness.** Converts the threshold that subjects town issuance of certificates of indebtedness to reverse referendum authority from 0.25 of taxable market value to estimated market value.
- 46 Town firefighter relief levy limit.** Converts the levy limit for firefighter pension benefits, applicable to towns with populations of 1,200 or more, from 0.00806 of taxable market value to estimated market value.
- 47 Metropolitan area towns; certificates of indebtedness.** Converts the threshold that subjects metro area town issuance of certificates of indebtedness to reverse referendum authority from 0.24177 of taxable market value to estimated market value.
- 48 Dissolution of towns.** Converts the criteria for dissolution of a town, which is triggered by the town's total taxable market value dropping below \$165,000, to estimated market value.
- 49 County boundary changes.** Converts the criteria allowing changes in county boundaries to estimated, rather than taxable, market value.
- 50 County CIP bonds.** Eliminates the definition of "tax capacity" in the county capital improvement bond (CIP) bond law. This definition is obsolete, since the CIP debt limit is based on market value, rather than tax capacity.

- 51 County CIP bond debt limit.** Converts the limit on county CIP bonds from 0.12 percent of taxable market value to estimated market value.
- 52 Limit on county spending for nonprofit legal assistance.** Modifies the limit on the amount a county may spend to fund a nonprofit legal assistance corporation from 0.00604 percent of taxable market value to estimated market value.
- 53 County courthouse bonds.** Converts the debt limit for county courthouse bonds that may be issued without an election from 0.0403 percent of taxable market value to estimated market value.
- 54 County emergency jobs program.** Modifies the limit on the county levy for an emergency jobs program from 0.01209 percent of taxable market value estimated market value.
- 55 Hennepin County; building fund.** Converts the Hennepin County reserve and building maintenance levy limit from 0.02215 percent of taxable market value to estimated market value.
- 56 Hennepin County Library levy limit.** Converts the Hennepin County Library levy limit from 0.01612 percent of taxable market value to estimated market value.
- 57 Three Rivers Park District levy limit.** Converts the levy limit for the Three Rivers Park District from 0.03224 percent of taxable market value to estimated market value.
- 58 Anoka County Library debt limit.** Converts the debt limit (expressed relative to the maximum annual payment of principal and interest) on Anoka County Library bonds from 0.01 percent of taxable market value to estimated market value.
- 59 Anoka County Library levy limit.** Converts the Anoka County Library levy limit from 0.01 percent of taxable market value to estimated market value.
- 60 County interfund borrowing.** Converts the minimum size threshold for a county to engage in interfund borrowing from \$1.033 billion of taxable market value to estimated market value.
- 61 Continuance of nonconforming land uses.** Modifies the exception to the authority to continue nonconforming land uses if more than 50 percent of the market value of the building or structure is destroyed by fire or natural disaster so that the test is based on estimated, rather than taxable, market value.
- 62 Regional rail authority levy limit.** Converts the regional rail authority levy limit from 0.04835 percent of taxable market value to estimated market value.
- 63 Community corrections facilities; rent limit.** Converts the rent limit in the law permitting lease-revenue bond financing of community corrections facilities from 0.1 percent of taxable market value to the same percentage of estimated market value.
- 64 Capital notes; home rule charter cities.** Converts the debt limit that applies to capital notes issued without an election by a home rule charter city from 0.03 percent of taxable market value to estimated market value.

- 65** **Certain contracts; statutory cities.** Converts the threshold that subjects conditional sale contracts and contracts for deed purchases by statutory cities to reverse referendum authority from 0.24177 of taxable market value to the same percentage of estimated market value.
- 66** **Certificates of indebtedness; statutory cities.** Converts the threshold that subjects statutory cities' issuance of certificates of indebtedness to reverse referendum authority from 0.25 of taxable market value to estimated market value.
- 67** **Special service districts; property subject to charges.** Modifies the test to determine whether a split-use property in a special service district is subject in full or proportionately to the charges or levies from 50 percent of taxable market value to the same percentage of estimated market value. (Properties with more than 50 percent of their value derived from the commercial-industrial uses are subject to the charges on their full value, while properties with lower percentages are only subject to the charges on the C/I portion of the value.)
- 68** **Pedestrian mall improvements; levy limit.** Converts the levy limit for special city tax for pedestrian mall improvements from 0.12089 percent of taxable market value to the same percentage of estimated market value.
- 69** **First class city hospital levy.** Converts the authorized levy for operation of a first class city-owned hospital from 0.0806 percent of taxable market value to estimated market value.
- 70** **Campground levy.** Converts the authorized levy for operation and maintenance of a city or town tourist camping grounds from 0.0806 percent of taxable market value to estimated market value.
- 71** **Hennepin County park museum levy.** Converts the Hennepin County park museum levy (used for the Minneapolis Museum Institute of Arts) from 0.00846 percent of taxable market value to estimated market value.
- 72** **St. Cloud transit commission levy.** Converts the limits on the St. Cloud transit commission property tax levy from 0.12089 percent of taxable market value to estimated market value.
- 73** **Duluth transit commission levy.** Converts the limits on the Duluth transit commission property tax levy from 0.07253 percent of taxable market value to estimated market value.
- 74** **Cities; acceptance of conditional gifts.** Converts the qualifying rule for second, third, and fourth class cities to accept gifts with conditions (such as life annuity gifts with interest not to exceed 5 percent) from \$41 million of taxable market value to estimated market value.
- 75** **HRA levy limit.** Converts the levy limit for housing and redevelopment authorities (HRAs) from 0.0185 percent of taxable market value to estimated market value.
- 76** **HRA debt limit.** Converts limit on the issuance of general obligation HRA bonds from 0.5 percent of taxable market value to estimated market value.
- 77** **Port authority, mandatory city levy.** Converts the levy limit for the mandatory port authority levy (i.e., the levy the city must levy on behalf of the port authority) from 0.01813 percent of taxable market value to estimated market value.

- 78 Seaway Port Authority levy.** Converts the maximum basic levy of the Seaway Port Authority (which levies as a special tax district, rather than requiring the city to levy its tax as other port authorities do) from 0.01813 percent of taxable market value to estimated market value.
- 79 Port authority; discretionary city levy.** Converts the limit for the discretionary port authority levy (i.e., the levy the city may levy on behalf of the port authority) from 0.00282 percent of taxable market value to estimated market value.
- 80 EDA levy.** Converts the economic development authority city levy from 0.01813 percent of taxable market value to estimated market value.
- 81 Multicounty economic development levy.** Converts the levy for county contributions to a multicounty, nonprofit economic development corporation from 0.0008 percent of taxable market value to estimated market value.
- 82 First class city publicity levy.** Converts the authorized first class city publicity levy from 0.0008 percent of taxable market value to estimated market value.
- 83 Hazardous property penalty.** Converts the limit on the penalty a city may assess on hazardous properties from one percent of taxable market value to estimated market value.
- 84 Joint maintenance of cemeteries.** Modifies the law allowing contiguous towns and statutory cities to agree to jointly maintain public cemeteries, if each has a minimum market value of \$2 million. The minimum market value requirement would be based on estimated, rather than taxable, market value. This law limits the maximum expenditure by each governmental unit to no more than \$10,000 per year.
- 85 City improvement fund; taconite cities.** Modifies the minimum requirement (\$2.5 million) of taconite and iron ore value that permits a city to establish a permanent improvement fund to being based on estimated, rather than taxable, market value.
- 86 Taconite cities improvement fund levy limit.** Converts calculation of the levy limits for the permanent improvement fund for taconite cities from 0.08059 percent of taxable market value to estimated market value.
- 87 Acceptance of 1943 law applying to cities with high concentrations of iron ore value.** Modifies references in the acceptance section of an old law, regulating financial practices, which applied to cities with a more than one-half of their value in unmined iron ore value, to refer to estimated market value. Note: this law is likely obsolete, since no city has sufficient iron ore value to qualify.
- 88 Metropolitan Council debt limit.** Converts the Metropolitan Council's debt limit from 0.01209 percent of taxable market value to estimated market value.

- 89 School district debt limits; adjustment for detached airport property.** Converts the statute that adjusts school district debt limits for districts affected by airport detachments (this affects both the MSP and Holman Field airports) from taxable market value to estimated market value. In addition, the language of the statute is updated to reflect that these detachments have already occurred. (The statutory language is written to apply to future detachments.)
- 90 Metropolitan Airports Commission (MAC); levy limit for general budget purposes.** Converts the MAC's levy limit for general budget purposes from 0.00806 percent of taxable market value to estimated market value. MAC has not levied property taxes for any purpose in over 40 years.
- 91 MAC general obligation bonding; additional levy limit.** Converts the MAC additional levy limit (beyond what is necessary to pay its general obligation revenue bonds) from 0.00121 percent of taxable value to estimated market value.
- 92 MAC general levy limit.** Converts the MAC's levy limit from 0.00806 percent of taxable market value to estimated market value.
- 93 Metropolitan Mosquito Control Commission (MMCC); levy limit.** Converts the rate of growth in the MMCC's levy limit from the growth in its taxable market value to the growth in estimated market value.
- 94 Metro area fiscal disparities; adjusted market value.** Defines "adjusted market value" for the purposes of the metropolitan area fiscal disparities law to be taxable market value, adjusted by the assessment sales ratio. This change confirms existing practice, which is contrary to the statute's use of estimated market value.
- 95 Metro area fiscal disparities; fiscal capacity.** Clarifies that fiscal capacity under the metropolitan area fiscal disparities law is based on adjusted market value.
- 96 Metro area fiscal disparities; average fiscal capacity.** Clarifies that average fiscal capacity under the metropolitan area fiscal disparities law is based on adjusted market value.
- 97 Metro area fiscal disparities; net tax capacity.** Clarifies that net tax capacity under the metropolitan area fiscal disparities law is based on taxable market value.
- 98 Metro area fiscal disparities; adjustment of values.** Eliminates the mandate that limits on levies, aid, taxes, debt, or salary based on values be adjusted to reflect the effect of the fiscal disparities law. (Most of these limits will be based on estimated market value, which does not reflect the effects of fiscal disparities.) The section also clarifies computation of fiscal capacity (used to compute distributions) to be consistent with administrative practices.
- 99 City CIP bonds.** Converts the limit that applies under the city capital improvement program (CIP) bond law from 0.16 percent of taxable market value to estimated market value. CIP bonds may be issued without an election, but are subject to a reverse referendum requirement.

- 100** **General net debt limit.** Converts the general net debt limit (applies to municipalities other than school districts and first class cities) from three percent of taxable market value to estimated market value.
- 101** **Net debt limit; first class cities.** Converts the net debt limit that applies to first class cities from percentages of taxable market value to estimated market value.
- 102** **Net debt limit; school districts.** Converts the net debt limit that applies to school districts from 15 percent of taxable market value to estimated market value and clarifies the values may be adjusted by the assessor's sales ratio, if that results in a higher limit.
- 103** **Refunding bonds; referendum exemption.** Converts the debt threshold that allows a city, county, town or school to issue refunding bonds without holding an election from 1.62 percent of taxable market value to estimated market value.
- 104** **Bonds qualifying for State Board of Investment (SBI) purchase.** Converts the maximum limit on Minnesota municipal bond purchases by SBI from 3.63 percent of the taxable market value of the issuer to estimated market value.
- 105** **Local government aid (LGA); ANTC.** Updates the reference to city net tax capacity in the LGA statute to the recodified section (under the Revisor's instruction in section 111) that provides for calculation of ANTCs.
- 106** **Commercial-industrial percentage.** Requires the commercial-industrial percentage factor in the LGA formula to be based on the estimated market value of commercial-industrial property relative to the city's total estimated market value.
- 107** **County program aid; ANTC.** Updates the reference to county net tax capacity in the county program aid statute to the recodified section (under the Revisor's instruction in section 111) that provides for calculation of ANTCs.
- 108** **County jail bonds; referendum exemption.** Converts the annual tax levy permitted to pay county jail bonds issued without an election from 0.09671 of taxable market value to estimated market value.
- 109** **County jail leases; rent limit.** Converts the rent limit in the law permitting lease-revenue bond financing of county jails from 0.1 percent of taxable market value to estimated market value.
- 110** **Definition of estimated market value.** Adds a definition of "estimated market value" to the general definition section (§ 645.44) of the statutes. This definition points to (cross references) section 25's definition and applies for purposes of levy, tax, spending, and debt limits and calculation of aid payments.
- 111** **Revisor's instruction.** Directs the Revisor of Statutes to recodify the statute governing calculation of ANTCs in the property tax statutes (chapter 273). This law is now codified in the school finance law, but largely relates to computation of aids paid to cities and counties and is the primary responsibility of the commissioner of revenue.

112 Repealer. Repeals the following statutes:

Section	Description
273.11, subd. 1a	Limited market value – this law expired, effective for taxes payable in 2010.
276A.01, subd. 11	Iron Range fiscal disparities law, definition of “valuation;” this is replaced by the definition of “adjusted market value” as redefined in section 36.
473F.02, subd. 13	Metropolitan area fiscal disparities law, definition of “valuation;” this is replaced by the definition of “adjusted market value” as redefined in section 95.
477A.011, subd. 11	Definition of “equalized market value” in the local government aid statute; this is replaced by the use of adjusted net tax capacity, the measure that is actually used in the formula.

113 Effective date. Provides the changes affecting the computation of debt limits are effective the day following final enactment, while changes that affect levy and tax limitations or aid computations are effective for taxes payable in 2014.

Article 8: Department of Revenue Property and Minerals Provisions

Overview

Makes miscellaneous technical and policy changes to property tax law recommended by the Department of Revenue, including:

- Allowing assessors to do appraisals related to land exchanges;
- Clarifying the format of notices related to delinquent property taxes;
- Providing that certain transfers of land enrolled in the rural preserves program do not trigger payment of back-taxes.

- 1 Definitions.** Modifies a cross-reference due to the change made in section 11.
- 2 Taxes credited to state airports fund.** Clarifies that the commissioner of revenue collects the air flight property tax. Current law only requires the tax to be credited to the state airports fund but does not specifically require the commissioner to collect the tax.
- 3 Prohibited activity (assessor’s duties).** Modifies the list of non-tax property appraisals that an assessor may perform within their jurisdiction, so that county assessors are allowed to do appraisals related to land exchanges.

- 4 Authority; air flight property tax penalties.** Adds a citation to allow the commissioner to abate air flight property tax late payment penalties, clarifying that the commissioner has the power to abate both late payment and late filing penalties upon finding reasonable cause.
- 5 Exempt property used by private entity.** Clarifies that taxes on the use of federal real property are assessed as a personal property tax against the user.
- 6 Net proceeds tax, property tax exemption.** Deletes the exemption from property tax for “direct reduced ore” under the net proceeds tax. Direct reduced ore is an iron ore product, which will not be the net proceeds tax that only applies to nonferrous ores, metals or minerals.
- 7 Definition of person for property taxes.** Clarifies that for property tax purposes the term “person” includes many different kinds of entities.
- 8 Market value definition.** Removes obsolete references to “limited market value.”
- 9 Additional taxes (ownership changes for property in rural preserves).** Allows certain new owners of property enrolled in the rural preserves program to qualify without an intervening period of disqualification. This avoids deferred taxes becoming payable when both the prior owner and the new owner qualify. Provides that the new owner will qualify in the following situations: 1) a transfer of the property to a surviving owner due to death; 2) a transfer of the property to a spouse by reason of marriage or divorce; or 3) a transfer of the property to a trust or authorized farming partnership, corporation, or company when the same people retain the same beneficial interests.
- 10 Class 2 agricultural classification.** Clarifies that (a) intensive livestock and poultry confinement operations are agricultural even if less than 10 acres in size, (b) land must have been agricultural prior to enrollment in a conservation program in order to retain agricultural classification, and (c) certain 11-acre parcels fall under qualification criteria for 10-acre parcels.
- 11 Class 4 residential nonhomestead classification.** Eliminates a requirement that assessors separately report residential nonhomestead properties located on farms (but makes no changes in how those properties are classified or taxed).
- 12 Tax exempt property; lease.** Clarifies that the tax on leased exempt property applies in the case of property owned by a local unit of government.
- 13 Administrative appeals; railroad and utility valuations.** Allows railroads until the earlier of June 15 or ten days after the date of the valuation, and utilities until the earlier of July 1 or ten days after the valuation; to file an administrative appeal of their property tax valuations. Current law allows both railroads and utilities to file appeals until May 15 or ten days after the date of the valuation, whichever is earlier.
- 14 Definition of rural area; electrical cooperatives per capita tax.** Amends the definition of rural area, to refer to “statutory cities” and “home rule charter cities.” This technical change is necessary because the current statute refers only to “incorporated city,” a designation that no longer exists. All cities are now either statutory cities or home rule charter cities.

- 15 Notice of delinquent property tax.** Eliminates obsolete text from the notice regarding the various times within which the owners of different types of property may avoid a forfeiture of the property by paying the taxes, costs, and interest. Instructs the commissioner of revenue to provide a narrative description of the various redemption periods that the respective county auditors will include in the notice. Effective for notices required beginning in 2014.
- 16 Approval; recording (senior deferral program).** Allows the commissioner to prescribe the form of the lien notices recorded under this program, eliminating the need for the lien notices to be notarized or contain a notation that the document was drafted by the commissioner of revenue.
- 17 Nonferrous occupation tax, mining.** Defines the term “hydrometallurgical processes” that is used in nonferrous minerals tax.
- 18 Net proceeds tax.** Modifies the terminology used in the distribution language for the net proceeds tax to be consistent with the language imposing the tax.
- 19 Public corporation; listed powers (duties of assessors).** Provides that county assessors need not be licensed as real estate appraisers in order to do land exchange appraisals as provided in section 3.
- 20 Repealer.** Repeals obsolete provisions relating to (a) filing a list of leased tangible personal property with the commissioner of revenue, (b) limited market value, and (c) a market value exclusion for property treated for lead paint removal.