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Article 1: Property Taxes

Overview

This article provides a number of changes related to property taxes, including exemptions, classification, the state general levy, and special property tax programs, including:

- providing property tax exemptions for agricultural historical society property and property owned by licensed child care facilities;
- allowing agricultural property owned by different business entities or trusts to receive the agricultural homestead classification under certain conditions;
- allowing resort homestead classification when homestead property is titled in the name of an owner in the business entity that owns the resort;
- abating the state general levy on medical facility property in certain underserved areas and certain natural gas pipelines;
- allowing agricultural classification on land used for certain environmental purposes; and

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- allowing immediate expiration of an agricultural preserve under certain conditions.

1 Agricultural historical society property exemption. Increases the amount of property that may be exempted from 20 acres to 40 acres.

Effective beginning with 2018 assessments for taxes payable in 2019.

2 Licensed child care facility. Creates a property tax exemption for licensed child care facilities that are owned and operated by a church organization as part of its mission and that accept families that participate in the child care assistance program.

Effective beginning with 2018 assessments for taxes payable in 2019.

3 Homesteads owned by or leased to a farm business entity. Allows agricultural property that is farmed by a business entity other than the business entity that owns the land to qualify for agricultural homestead, if the person farming the land is an owner of both the operating entity and ownership entity, all owners of the operating entity are owners of the ownership entity, and all owners of both businesses are related to each other within the second degree of kindred.

Effective date: assessments in 2018.

4 Special agricultural homestead rules. Sections 4 and 5 allow agricultural property owned by an individual and a trust (of which the individual, their spouse, or deceased spouse is the grantor) or by two different trusts (of which the grantors of each trust are any combination of the individual, their spouse, or deceased spouse) to qualify for agricultural homestead. Current rules treat trust grantors as owners for purposes of qualifying for the agricultural homestead classification, but do not allow property owned by two different owners to qualify. Expanding the agricultural homestead rules for trusts may allow additional properties to qualify for the qualified farm property subtraction under the estate tax.

Section 4 eliminates language allowing certain special agricultural homesteads owned by grantor trusts to qualify for homestead property tax status. This language is moved to section 5, which contains most of the rules relating to trust ownership of homestead and agricultural homestead property.

This section also changes the special agricultural homestead rules for agricultural property owned and operated by different business entities in the same manner as the rules are changed under section 3 for agricultural homesteads.

Effective date: taxes payable in 2019.

5 Agricultural homesteads; trust rules. Modifies the statute that allow certain properties owned by trusts to qualify for homestead property tax treatment:

- Adds the language eliminated by section 4.
- Defines agricultural land for agricultural homestead rules and classification statutes so that the rules requiring agricultural property to have the same ownership (e.g.,

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when a farm is divided into multiple parcels with different owners or when there are multiple owners of a parcel) are satisfied if the properties are owned by some combination of the individual owner, the individual's spouse or surviving spouse, or a trust or trusts, the grantor of which is the individual, spouse, surviving spouse, or deceased spouse.

- Extends that trust ownership rule to noncontiguous parcels located within four townships or cities.

Effective date: taxes payable in 2019.

- 6** **Class 1 (homestead resorts).** Allows a property to qualify for the homestead resort classification when the resort portion of the property is owned by a business entity and the homestead portion is titled in the name of a member of that business entity.

Effective date: taxes payable in 2019.

- 7** **Class 2 (agricultural purposes).** Provides that land will still qualify for agricultural classification even if the greater of three acres or ten percent of the total land area is used to serve environmental purposes such as buffer strips or retention ponds. Also allows land consisting of a holding pond designed to hold back runoff from a rural expressway to retain agricultural classification.

Effective beginning with 2018 assessments for taxes payable in 2019.

- 8** **Class 4 (resorts).** Allows craft houses consisting of not more than five sleeping rooms that provide areas for guests to conduct indoor craft or hobby activities to qualify for the resort classification.

Effective beginning with 2018 assessments for taxes payable in 2019.

- 9** **Natural gas pipeline.** Exempts gas pipelines that meet the following criteria from the state general levy for 12 years:

- constructed after January 1, 2018;
- located outside the metro area; and
- located in an area where households or businesses lacked access to natural gas distributions as of January 1, 2018.

Provides that the amount of the state general levy will be reduced so that the tax is not shifted to other properties.

Effective beginning with 2019 assessments for taxes payable in 2020.

- 10** **Medical facility in underserved area.** Abates the state general levy for property described in section 15 for 15 years. Provides that the amount of the state general levy will be reduced so that the tax is not shifted to other properties.

Effective date: taxes payable in 2019.

- 11** **Duties of the commissioner after sale.** Requires the commissioner of revenue to issue a deed for land sold at a tax-forfeiture sale if the county auditor has written confirmation from a closing agent, title insurer, or title insurance agent that the purchase money for the deed is

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currently held in escrow. Under current law, the deed may not be issued until after the closing. If a closing does not occur, the county must return the deed to the commissioner of revenue for destruction.

Effective date: day following final enactment.

- 12** **Scope.** Adds a conforming change with reference to the new definition in section 15.

Effective date: taxes payable in 2019.

- 13** **Medical facility.** Defines “medical facility” as: an office, clinic, building or portion of a building used to provide primary or specialty care; birth center; hospital; urgent care clinic; or outpatient surgical center.

Effective date: day following final enactment for taxes payable in 2019.

- 14** **Medically underserved county.** Defines a “medically underserved county” as a county that includes an area designated by the federal health and human services secretary as a health professional shortage area. Requires the commissioner of health to certify the counties that qualify to the commissioner of revenue, and requires the commissioner of revenue to provide that information to the counties.

Effective date: assessments in 2019 for taxes payable in 2019.

- 15** **Medically underserved areas.** Abates the state general tax for 15 years for a medical facility that has received a local abatement, provided that:

- the facility is in a medically underserved county;
- the facility is not in the metro area;
- a local jurisdiction passes a resolution that the facility meets an unmet need; and
- both the county and city or town grant the local abatement.

Effective date: taxes payable in 2019.

- 16** **Till expiration started.** Authorizes a state agency or governmental unit to initiate expiration of an agricultural preserve.

Effective the day following final enactment.

- 17** **Expiration for park and trail purposes.** Provides that an agricultural preserve expires immediately when the public entity purchases the property or acquires an easement for purposes of the public trail or park. The expiration would apply only to the portion of the preserve used for park or trail purposes. Requires the public entity to notify the preserve authority accordingly.

Effective the day following final enactment.

- 18** **Notice to others.** Conforming change to section 17.

- 19** **Effective date.** Extends the levy authority of the Northwest Minnesota Multicounty Housing and Redevelopment authority by five years, to taxes payable in 2024.

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Article 2: Property Tax Reform

Overview

This article consolidates most residential property types into a single classification as class 1. Most types of residential property have the same class rates as under current law, with a few having reduced class rates. Some classes have new class labels. Class 1b, a special classification for blind or disabled homeowners, is replaced by a state-paid refund program providing equivalent benefits. The separate classification for B&Bs is eliminated in favor of allowing up to four units of a B&B to be considered as part of the owner's homestead.

This article also changes various deadlines and due dates for Minnesota's property tax system. The proposed changes mirror most of the changes suggested in the 2012 final report of the property tax working group.

There is a table at the end of this article showing the class rate changes and the classification label changes.

- 1 **Definition; split residential parcel.** Conforms to the new definition of residential classification for parcels that are split between two school districts.
- 2 **Referendum market value.** Conforms the definition of referendum market value to the new classification label (4h) for non-commercial seasonal-recreational property. Also eliminates exemption of student housing from referendum market value since those properties would become part of the broader residential classification.
- 3 **Meeting dates; duties.** Changes the dates for convening the State Board of Equalization from between April 15 and June 30 to between May 1 and July 1.
Effective date: beginning with assessments in 2020.
- 4 **Jurisdictions in two or more counties.** Makes a conforming change based on section 3.
Effective date: beginning with assessments in 2020.
- 5 **Assessors.** Changes the date for an assessor to notify property owners of contamination value from June 1 to May 1.
Effective date: beginning with assessments in 2020.
- 6 **Record of proceedings changing net tax capacity; duties of county auditor.** Changes the date for the commissioner to certify assessment changes to the county auditor from June 30 to July 1.
Effective date: beginning with assessments in 2020.
- 7 **Tax court jurisdiction.** Conforms existing law on Small Claims Division tax court jurisdiction to the new class labels.
- 8 **Filing dates.** Changes the filing date for property tax exemptions from February 1 to May 1.

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Effective date: beginning with assessments in 2020.

9 Community land trusts. Conforms existing law on community land trusts to the new class labels.

10 Aggregate resource preservation land requirement. Conforms existing law on aggregate resource preservation land to the new class labels. (Note that there is currently no property enrolled under this program.)

11 Application. Changes the application date under the Minnesota Open Space Property Tax Law from November 3 to November 1.

Effective date: beginning with assessments in 2020.

12 Homestead property for purposes of state disaster credit. Conforms existing law on disaster credits to the new class labels.

13 Homestead property; general rule. States that all homestead property is in class 1, and recodifies language from elsewhere in statutes stating that owner-occupied duplexes and triplexes are eligible for homestead treatment in their entirety.

14 Manufactured home park cooperative. Allows members of manufactured home park cooperatives to add their ground lease payments to their property taxes when applying for the homestead credit refund. Also prescribes that this property would be classified as class 1 residential.

15 Homestead owned by or leased to family farm corporation, joint farm venture, limited liability company, or partnership. Changes the notification date for business entities seeking to qualify for agricultural homestead treatment.

Effective: beginning with assessments in 2020.

16 Homestead established after assessment date. Changes the homestead application date from December 15 to December 31, except for manufactured homes, which is changed from May 29 to May 1.

Effective date: beginning with assessments in 2020.

17 Owner-occupied motel property. Conforms existing law on owner-occupied motel property to the new class labels.

18 Tax statements; penalties; collections. Changes the date for tax statements to be mailed for manufactured homes from July 15 to July 1.

Effective date: beginning with assessments in 2020.

19 Requirement (low-income rental property eligibility). Conforming change to new classification label in section 22.

20 Class 1 (Residential). Defines class 1 as all residential property containing fewer than four dwelling units, with a class rate of one percent on the first \$500,000 of market value and 1.25 percent on the portion over \$500,000. Eliminates the blind/disabled 1b classification (those property owners are made eligible for a special property tax refund under section 32). Strikes the definition of class 1c homestead resorts, since that property is reclassified as class

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4b(1) in section 22. Strikes the definition of class 1d migrant housing, since that property is reclassified into class 1.

- 21 Class 2 (Agricultural).** Strikes all references to residential uses of property in class 2, since those portions of property will now be classified as class 1. Also restates changes to the definition of “agricultural purposes” made in article 1.
- 22 Class 4 (miscellaneous property classes).** Eliminates residential non-homestead properties from class 4, since they are now included in class 1. Consolidates commercial seasonal-recreational properties into class 4b, with homestead resorts (currently class 1c) as class 4b(1) and non-homestead resorts as class 4b(2). Eliminates the bed & breakfast classification; up to four units of a B&B are allowed to be included with the owner’s residence in class 1, while the remaining units move to commercial-industrial. Eliminates the three separate classifications for manufactured home park land since all manufactured home park land would become part of residential class 1. All other classes in class 4 remain in class 4 and retain their current class rates, but with different classification labels.
- 23 Homestead market value exclusion.** Conforms existing law on the homestead market value exclusion to the new class labels. (Note that there are no changes made to the homestead market value exclusion itself.)
- 24 Clarification of residential classification.** Specifies particular types of property that are classified as class 1 that are in other classifications under current law.
- 25 Ordinary board; meetings, deadlines, grievances.** Changes the deadline for the county assessor to notify the town or city clerk when the local board of appeal will meet from February 15 to March 1. Changes the dates in which a local board of appeal can meet from April 1 to May 31, to April 1 to June 1.
Effective date: beginning with assessments in 2020.
- 26 Seasonal-recreational net tax capacity (state general levy).** Conforms the definitions of seasonal-recreational properties for purposes of the state general levy to the new classification labels in section 22.
- 27 Mailing of tax statements.** Changes the deadline to mail tax statements from March 31 to April 1 (except for manufactured homes).
Effective date: beginning with assessments in 2020
- 28 Residential property definition.** Conforms existing definition of residential property used in the Iron Range fiscal disparities program to the new class labels.
- 29 Determination of validity.** Changes the deadline for property tax appeals from April 30 to May 1.
Effective date: beginning with assessments in 2020
- 30 Property taxes payable (homestead credit refund definition).** Clarifies that the homestead credit refund is calculated after taking into account the new blind/disabled refund in section 32. Also clarifies that members of manufactured home co-ops can include ground lease payments with property taxes in applying for the homestead credit refund.

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- 31 Homestead “targeting” refund.** Clarifies that the targeting refund for homeowners whose property taxes increase more than 12 percent over the previous year is calculated after taking into account the new blind/disabled refund in section 32.
- 32 Additional refund for homeowners who are blind or disabled.** Provides a new state refund program for homeowners who are blind or disabled equal to 0.9 percent of the taxable market value of the homestead, but limited to \$425. This refund is meant to offset the special classification rate (0.45%) that these homeowners receive under current law on the first \$50,000 of value. Eligibility for the refund uses the same definition as is currently in law for class 1b.
- 33 Initial application.** Changes the senior deferral application deadline from July 1 to November 1.
Effective date: beginning with assessments in 2020
- 34 Residential property definition.** Conforms existing definition of residential property used in the Metro fiscal disparities program to the new class labels.
- 35 Net tax capacity.** Changes the date by which assessors certify net tax capacity under fiscal disparities from August 5 to August 1.
Effective date: beginning with assessments in 2020
- 36 Before May 1 for next year's taxes.** Changes the application deadline for Metro agricultural preserves from June 1 to May 1.
Effective date: beginning with assessments in 2020
- 37 Grace period; taxpayer notice.** Prevents an individual from losing a benefit due to missing a new due date, provided that the individual met the previous due date, for the first year the new due dates are effective.
Requires the commissioner of revenue to provide notice to all persons affected by the calendar changes and due dates.
- 38 Revisor’s instruction.** Instructs the revisor of statutes to make any necessary cross-reference changes that result from repealers in this act.
- 39 Repealer.** Repeals a section of statutes pertaining to certification of class 1b property that would not be necessary due to the new refund mechanism in section 32. Repeals two sections relating to the definition of class 1 manufactured home parks, since that special classification is eliminated in section 24.

[Table of class labels and class rates under current law compared to Division Report follows]

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Class Labels and Class Rates Under Current Law Compared to Division Report

Class	Description	Tiers	--- Current Law ---		----- Proposed -----		
			Local Class Rate	School Ref Liability	Class	Local Class Rate	School Ref Liability
1a	Residential homestead	First \$500,000	1.00%	X	1	1.00%	X
		Over \$500,000	1.25%	X		1.25%	X
1b	Blind/disabled homestead	First \$50,000	0.45%	X	1	1.00%	X
1c	Homestead resorts	First \$600,000	0.50%	X	4b(1)	0.50%	X
		\$600,000 - \$2,300,000	1.00%	X		1.00%	X
		Over \$2,300,000	1.25%	X		1.25%	X
1d	Mirgrant housing	First \$500,000	1.00%	X	1	1.00%	X
		Over \$500,000	1.25%	X		1.25%	X
2a	Agricultural hmstd - house, garage, 1 ac (HGA)	First \$500,000	1.00%	X	1	1.00%	X
		Over \$500,000	1.25%	X		1.25%	X
2a/2b	Agricultural hmstd land	First \$1,900,000	0.50%		2a/2b	0.50%	
		Over \$1,900,000	1.00%			1.00%	
2a/2b	Agricultural non-hmstd / rural vacant land		1.00%		2a/2b	1.00%	
4a	Residential non-hmstd 4+ Units		1.25%	X	4a	1.25%	X
4b(1)	Residential non-homestead 1-3 units	First \$500,000	1.25%	X	1	1.00%	X
		Over \$500,000	1.25%	X		1.25%	X
4b(2)	Unclassified manufactured home	First \$500,000	1.25%	X	1	1.00%	X
		Over \$500,000	1.25%	X		1.25%	X
4b(3)	Agricultural non-hmstd residence (2-3 units)	First \$500,000	1.25%	X	1	1.00%	X
		Over \$500,000	1.25%	X		1.25%	X
4b(4)	Unimproved residential land	First \$500,000	1.25%	X	1	1.00%	X
		Over \$500,000	1.25%	X		1.25%	X
4bb(1)	Residential non-hmstd single unit	First \$500,000	1.00%	X	1	1.00%	X
		Over \$500,000	1.25%	X		1.25%	X
4bb(2)	Agricultural non-hmstd single unit - (HGA)	First \$500,000	1.00%	X	1	1.00%	X
		Over \$500,000	1.25%	X		1.25%	X
4bb(3)	Condominium storage unit	First \$500,000	1.00%	X	1	1.00%	X
		Over \$500,000	1.25%	X		1.25%	X
4c(1)	Comm'l seasonal recreational (resorts)	First \$500,000	1.00%	X	4b(2)	1.00%	X
		Over \$500,000	1.25%	X		1.25%	X
4c(2)	Qualifying golf course		1.25%	X	4c(2)	1.25%	X
4c(3)(i)	Non-profit comm. service orgs (non-rev) Cong. - chartered vets orgs (non-rev)		1.50%	X	4d(1)	1.50%	X
			1.00%	X		1.00%	X
4c(3)(ii)	Non-profit comm. service orgs (donations) Cong. - chartered vets orgs (donations)		1.50%	X	4d(2)	1.50%	X
			1.00%	X		1.00%	X
4c(4)	Post-secondary student housing	First \$500,000	1.00%		1	1.00%	X
		Over \$500,000	1.00%			1.25%	X
4c(5)(i)	Manufactured home park	First \$500,000	1.25%	X	1	1.00%	X
		Over \$500,000	1.25%	X		1.25%	X
4c(5)(ii)	Manufact home park (>50% owner-occupied)	First \$500,000	0.75%	X	1	1.00%	X
		Over \$500,000	0.75%	X		1.25%	X
4c(5)(ii)	Manufact home park (<50% owner-occupied)	First \$500,000	1.00%	X	1	1.00%	X
		Over \$500,000	1.00%	X		1.25%	X
4c(5)(iii)	Class I manufactured home park	First \$500,000	1.00%	X	1	1.00%	X
		Over \$500,000	1.00%	X		1.25%	X

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4c(6)	Metro non-profit recreational property		1.25%	X	<i>4c(1)</i>	1.25%	X
4c(7)	Non-comm'l aircraft hangars & (leased) land		1.50%	X	<i>4e(1)</i>	1.50%	X
4c(8)	Non-comm'l aircraft hangars & (private) land		1.50%	X	<i>4e(2)</i>	1.50%	X
4c(9)	Bed & breakfast	First \$500,000	1.25%	X	<i>1</i>	<i>1.00%</i>	X
		Over \$500,000	1.25%	X		1.25%	
4c(10)	Seasonal restaurant on a lake		1.25%	X	<i>4f</i>	1.25%	X
4c(11)	Marina	First \$500,000	1.00%	X	<i>4g</i>	1.00%	X
		Over \$500,000	1.25%	X		1.25%	
4c(12)	Non-comm'l seasonal recreational (cabins)	First \$500,000	1.00%		<i>4h</i>	1.00%	
		Over \$500,000	1.25%			1.25%	
4d	Low-income rental housing (per unit)	First \$139,000	0.75%	X	<i>4i</i>	0.75%	X
		Over \$139,000	0.25%	X		0.25%	
Note: changed items in <i>bold italics</i> .							

Article 3: Aids and Credits

Overview

Provides a number of changes to aids, credits, and property tax relief programs including:

- modifying application dates for the senior deferral program;
- providing extra LGA payments to the cities of Hermantown and Lilydale;
- providing aid reductions for spending on undocumented alien defense or for being a sanctuary city;
- tax abatements in the Mille Lacs Lake area; and
- repealing Minneapolis library aid payments.

1 Initial application. Moves the application date for the senior deferral program from July 1 to November 1, and clarifies that a taxpayer may preapply for early approval or denial. The commissioner must notify the taxpayer in writing the reasons for a denial and that the taxpayer may amend their application and resubmit it up to November 1.

Effective beginning with taxes payable in 2019.

2 Certified aid adjustments. Provides a onetime payment of \$97,260 to the city of Hermantown for compensation lost in 2017 due to a glitch in the city LGA formula. Provides an additional \$25,000 in LGA for six years to the city of Lilydale to help with some sewer costs. Eliminates obsolete provisions.

Effective beginning with aids payable in 2019.

3 State auditor's duties. Requires that the uniform financial reports filed by cities and counties with the state auditor include the information necessary to determine aid reductions under section 4.

Effective beginning with aids payable in calendar year 2019.

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4 **Aid reductions for spending on undocumented alien defense.** Reduces a city's LGA payment or a county's CPA payment dollar for dollar for any amount the city or county appropriated in the previous calendar year to fund legal services to help undocumented aliens fight deportation.

Effective beginning with aids payable in 2019.

5 **Aid reductions for sanctuary cities.** Provides that any city certified as a sanctuary city in any six month period may not receive its LGA payment for that period.

Subd. 1. Definition of a sanctuary city. Defines various ordinances or policies that a city might adopt that would cause them to be a sanctuary city. Also includes any city deemed a sanctuary city by the United States Department of Homeland Security.

Subd. 2. Penalty for being a sanctuary city. Requires the state auditor to furnish the commissioner of revenue with a list of sanctuary cities by June 1, and December 1 of each year. Any city on the June 1 list shall not receive its July LGA payment for that year and any on the December list shall not receive its December LGA payment that year.

Subd. 3. Certification, state auditor's list. Requires each mayor to certify the sanctuary status of their city by November 15, 2018, and with their annual financial reports beginning in 2019. The city must file an amended status with the state auditor if the city's status changes.

Subd. 4. Court challenge to status as sanctuary city. Allows a taxpayer to challenge a city's status in court. If the court change's a city's status it may order the city to file an amended certification and notify the state auditor of the changed status.

Effective the day after final enactment and applies beginning with the December 2018 LGA payments.

6 **Mille Lacs area property tax abatement.**

Subd. 1. Abatements authorized. Authorizes Aitkin, Crow Wing, and Mille Lacs Counties to abate local property taxes for taxes payable in 2017 for certain commercial properties, including resorts, restaurants on a lake, and marinas.

Subd. 2. Appeals. Provides that a county board's abatement decision is not appealable to the tax court.

Subd. 3. Qualification requirements. Requires that, to qualify for an abatement, a taxpayer must be located in certain municipalities surrounding the lake, document a five percent reduction in gross receipts between any two calendar years since 2010, and be a business in one of the categories of businesses defined by the North American Industry Classification System.

Subd. 4. State general levy in relief area. Requires the three counties in section 1 to refund the state general levy for taxes payable in 2017 for commercial properties in the defined area surrounding the lake.

Subd. 5. Certification and transfer of funds. Requires each county granting state levy refunds and local abatements to certify the amount of the refunds and abatements

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to Mille Lacs County by February 1, 2018, who must then transfer an equal amount to those counties.

Subd. 6. Commissioner of revenue; appropriation. Appropriates an amount necessary to make the refund and abatement payments to the commissioner of revenue, for Mille Lacs County, to make the required payments to the counties.

Subd. 7. Report to legislature. Requires the commissioner of revenue to provide a report to the chairs and ranking members of the legislative tax committees stating the amount of aid granted under this section.

Subd. 8. Refund eligibility. Provides that only a taxpayer making all property tax payments for taxes payable in 2017 is eligible for a refund.

- 7 **Repealer.** The extra aid to the city of Minneapolis to pay library bonds is repealed effective beginning with aids payable in 2019.

Article 4: Referendum

Overview

Requires elections on city, county, and school district referenda questions related to property taxes, debt, and spending to be conducted on the first Tuesday after the first Monday in November of even- or odd-numbered years. In 2017 a law passed limiting all municipal and school elections to one of five dates – the second Tuesday in February, April, May, or August as well as the November date. Effective for referenda held on or after August 1, 2018, unless explicitly stated otherwise.

Provides for a public notice, hearing, and reverse referendum on franchise fees.

Also provides for a reverse referendum when a local government enters into a lease of three or more years for certain real property with an HRA, port authority, EDA, or similar entity.

- 1 **Referendum revenue (schools).** Requires a school district to state on both its referendum ballot and on its notice to taxpayers the amounts of any board-approved local optional revenue and board-approved referendum authority.
- 2 **Uniform election dates.** Restricts when a city or town may hold a referendum or reverse referendum to (1) modify a levy, (2) issue debt, or (3) purchase real property to the first Tuesday after the first Monday of November, instead of one of five possible dates. Provides that this limit on election dates doesn't apply to referendum held to deal with an emergency or disaster.
- 3 **Questions (schools).** Restricts when a school district may hold a referendum or reverse referendum to (1) modify a levy, (2) issue debt, or (3) purchase real property to the first

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Tuesday after the first Monday of November, instead of one of five possible dates. Provides that this limit on election dates doesn't apply to referendum held to deal with an emergency or disaster.

- 4** **Municipal authority to regulate public utilities.** Provides for public notice, a hearing, and reverse referendum on whether a city may impose a franchise fee that raises revenue in excess of the increased municipal costs due to gas or electric utility operations. An ordinance or agreement that imposes fees that raise revenue may be for up to five years.

The city must identify what will constitute a cost to the city. The notice must explain (1) the intended uses of the fee, (2) the likely increase to customers' utility bills, (3) and alternatives the city could consider instead of imposing the fee.

Effective for license, permit, right, or franchise agreements entered into on or after August 1, 2018, and to existing agreements that are still in effect August 1, 2023.

- 5** **Municipal telecommunications services (cities).** Requires an election on the decision of a city to establish a telephone exchange be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.
- 6** **Contracts (cities).** Limits a special election held in response to a petition requesting a referendum relating to a contract for deed or conditional sales tax contract that the city proposes to enter into, to the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.
- 7** **Voter approval required; leases of public buildings.** Provides for a reverse referendum on whether a city (excluding first class cities), county, or urban town may enter into a lease of three or more years for real property with a housing and redevelopment authority (HRA), port authority, economic development authority (EDA), or other entity established by special law with powers similar to those authorities, when the real property was acquired or improved with obligations (bonds or other debt instruments) issued by the authority.
- Effective for qualified leases entered into after July 1, 2018.
- 8** **Referendum in certain cases (municipal liquor stores).** Limits the date for an election on whether to issue debt backed by liquor store profits for projects of the city other than projects for the liquor store to the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.
- 9** **Statutory city; on-sale and off-sale store; (liquor dispensary fund, community hospital appropriation).** Limits the date for an election on whether to use the liquor dispensary fund to contribute to the community hospital to the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.
- 10** **Statutory city; off-sale or on- and off-sale store; (liquor dispensary fund, community hospital appropriation).** Limits the date for an election on whether to use the liquor dispensary fund to contribute to the community hospital to the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.

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- 11 Fourth class city operating store (liquor dispensary fund, community hospital appropriation).** Limits the date for an election on whether to use the liquor dispensary fund to contribute to the community hospital to the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.
- 12 Statutory city; fourth class (liquor dispensary fund, community hospital appropriation).** Limits the date for an election on whether to use the liquor dispensary fund to contribute to the community hospital to the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.
- 13 Statutory city; any store (liquor dispensary fund, community hospital appropriation).** Limits the date for an election on whether to use the liquor dispensary fund to contribute to the community hospital to the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.
- 14 Submission to voters (public utility).** Limits the date for an election on the question of acquiring property for the public utility to the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.
- 15 Submission to voters (electric utility).** Limits the date for an election on the question of incurring expense for the public utility to the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.
- 16 Municipalities may extend electric service.** Limits the date for an election on the question of extending service outside the municipality to the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.
- 17 Authorization (local lodging tax).** Strikes the option for a special town meeting on whether the town will impose a local lodging tax. The vote of the electors may only be at the annual town meeting.
- 18 Reverse referendum (local lodging tax).** Limits the date for election in the unorganized territory of the county held pursuant to a petition (reverse referendum) on whether the county will impose a local lodging tax to the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.
- 19 May use fund for other purposes upon vote (public works reserve fund).** Limits the date for an election on the question of whether the city may use the public works reserve fund for another purpose to the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.
- 20 Expenditure from fund, limitations (permanent or replacement fund).** This section applies to each city in which the net tax capacity of real and personal property consists in part of iron ore or lands containing taconite or semi-taconite and in which the total estimated market value of real and personal property exceeds \$2,500,000. Limits the date for an election on the question of whether to exceed the statutory limit for expenditure from the fund for one project to the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.

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- 21 Use of fund for a specific purpose (infrastructure replacement reserve fund).** Limits the date for an election on whether use of the infrastructure replacement reserve fund should be restricted to a specific improvement or type of capital improvement to the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.
- 22 Election date (general law on municipal debt).** Allows a town to pose the question at an election held on the same day as the annual town meeting or on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.

Article 5: Miscellaneous

Overview

This article:

- Prohibits the use of public money for the passenger rail project between Rochester and the Twin Cities (often referred to as “Zip Rail”), as well as prohibiting using eminent domain, imposing certain security and environment insurance requirements on the project, and other large passenger rail projects (capital costs greater than \$1 billion). These restrictions will not apply if the legislature adds the project to the state’s rail plan.
- Requires Hennepin County to share some of its local transportation sales tax revenue with certain cities.
- Provides special tax increment financing (TIF) authority to the cities of Minneapolis and Champlin.
- Repeals the political contribution refund (PCR) program, effective for claims based on contributions made on or after July 1, 2018.
- Allows St. Cloud to increase its food and beverage and lodging taxes if approved by the voters at a general election.
- Cancels \$3.41 million from DOR’s local sales tax administration account to the general fund.
- Appropriates money to local governments for the March 11, 2018, fire in Mazeppa.

- 1 No state spending for certain rail projects.** Prohibits using state money for the Zip Rail project. This limit applies to any purposes related to the project (e.g., planning, design, engineering, land acquisition, construction, and operation). These restrictions do not apply to private contributions or if the legislature adds the Zip Rail project to the state freight and passenger rail plan or directly appropriates money for the plan.

Effective date: Day following final enactment.

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- 2** **Restrictions on leasing state property for Zip Rail.** Requires the commissioners of administration and transportation to include security bonds or similar guarantees against state loss in leases for the Zip Rail project (e.g., leasing the highway right-of-way).
Effective date: Day following final enactment.
- 3** **Eminent domain.** Prohibits use of eminent domain law by the state, a local government, or a private railroad for the Zip Rail project.
Effective date: Day following final enactment.
- 4** **State rail plan.** Prohibits inclusion of the Zip Rail project in the statewide freight and passenger rail plan and directs the commissioner of transportation to remove the project from the plan by February 1, 2019.
Effective date: day following final enactment
- 5** **Environmental insurance required for passenger rail projects.** Requires a private entity seeking a federal or state permit to construct or operate a passenger rail project with a capital cost of \$1 billion or more to obtain environmental insurance. (The definitions exclude projects operated by a governmental unit, e.g., LRT or commuter rail projects operated by the Metropolitan Council.) The requirements would only apply to the developer of the project, not a contractor who applied for a building permit.
The insurance must cover environmental remediation and impairment damages. The commissioner of the Pollution Control Agency must approve the adequacy of the insurance, including dollar limits on the coverage.
Effective date: Projects for which application is made after the day following final enactment.
- 6** **Political contribution refund (PCR).** Eliminates a reference to the political contribution refund program in DOR's chapter, since the PCR is repealed by section 18.
Effective date: Claims based on contributions made after July 1, 2018.
- 7** **PCR.** Eliminates a reference to the political contribution refund program in the tax administration chapter, since the PCR is repealed by section 18.
Effective date: Claims based on contributions made after July 1, 2018.
- 8** **PCR.** Modifies the definition of taxpayer in chapter 290 to eliminate the special definition related to the PCR.
Effective date: Claims based on contributions made after July 1, 2018.
- 9** **Hennepin tax sharing.** Requires Hennepin County to share the revenue it collects from its 0.5 percent local transportation tax if requested with Maple Grove and Plymouth, the only cities in the county with a population of 60,000 or more that do not have a planned or operating transit line located in the city. Each city would receive 50 percent of the county sales tax revenue collected within the city and must use the money for improvements to county highways and bridges in the portion of the city located in the county.
Effective date: July 1, 2018.

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10 No local spending for Zip Rail. Prohibits any city, county, or special taxing district in Development Region 10 or 11 and the DMC entities from spending public money on the Zip Rail project, parallel to the limits on state spending in section 1. These restrictions do not apply to private contributions or if the legislature adds the Zip Rail project to the state freight and passenger rail plan.

Regions 10 and 11 include the following counties: Anoka, Carver, Dakota, Dodge, Fillmore, Freeborn, Goodhue, Hennepin, Houston, Mower, Olmsted, Rice, Scott, Steele, Wabasha, Washington, and Winona.

Effective date: Day following final enactment.

11 Bond allocation; public facilities projects. Allow district heating projects owned by for-profit entities to qualify as public facilities projects under the Minnesota’s bond allocation process. Under present law, these projects must be owned by a governmental entity or a nonprofit organization to qualify for an allocation of public facilities bonding.

12 St. Cloud liquor and food tax authorized. Allows the city of St. Cloud to increase its existing food and beverage tax from one percent to 1.5 percent if approved by the voters at a general election. The proceeds from the tax increase must be used to pay for improvements to the Municipal Athletic Center, including associated bond costs.

13 St. Cloud additional tax authorized (lodging). Allows the city of St. Cloud to increase its extra two percent lodging tax to three percent if approved by the voters at a general election. The proceeds from the tax increase must be used to pay for improvements to the Municipal Athletic Center, including associated bond costs.

14 Minneapolis, Upper Harbor TIF. Authorizes the city of Minneapolis to create redevelopment TIF districts in an area of North Minneapolis along the Mississippi River (generally referred to as the Upper Harbor Terminal area). Under the bill, the following special rules would apply to these TIF districts:

- The districts would be redevelopment districts without meeting the statutory “blight test” that provides limits (based on the percentages of the area’s parcels that are occupied by improvements and of the parcel’s buildings that are substandard). Redevelopment districts are allowed a longer duration (25 years) than districts that meet a lesser blight test (e.g., renewal and renovation districts – 15 years) or that are not required to meet a blight test at all (economic development districts – eight years).
- Increments from the districts would not be required to be spent on “blight correction,” as is required under general law for redevelopment districts.
- The five-year rule is extended to ten years.
- The percentage pooling rules do not apply, if the increments are spent on activities in geographic areas defined in the bill.

Effective date: Local approval by the city.

15 Champlin TIF. Allows the city of Champlin to elect to extend for its Mississippi Crossings TIF district the five-year rule to ten years. In addition, it exempts the district from the

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requirement that after that period in-district increments must be used to decertify the district early.

Effective date: Local approval by the city.

- 16** **Revenue department service and recovery fund.** Cancels \$3,411,000 of the balance in the local sales tax administrative account in this fund to the general fund in fiscal year 2018.

Effective date: Day following final enactment.

- 17** **Appropriation (Mazeppa fire).** Appropriates \$2,600 to the city of Mazeppa and \$2,400 to Wabasha County in fiscal year 2019 to reimburse for property tax abatements and other costs associated with the fire on March 11, 2018.

- 18** **Repealer; PCR.** Repeals various provision of the statutes providing and relating to the PCR.

Effective date: Contributions made after July 1, 2018, and refund claims made after July 1, 2018.