

Subject Property Tax Division Report

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Article 1: Property Taxes

This article makes several changes related to property taxes, including:

- establishing exemptions for an elderly living facility and energy storage systems;
- lowering the class rate on certain community land trust property;
- creating a single classification for manufactured home park property and lowering the class rate for this type of property;
- adding industrial hemp to the agricultural products definition;
- increasing the school building bond agricultural credit rate;
- modifying the interest rate for delinquent property taxes;
- increasing the value thresholds for the homestead market value exclusion; and
- increasing the income limit for the senior citizens' property tax deferral program.

Section	Description – Article 1: Property Taxes
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1	Local optional revenue.
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	Sets the first tier local optional revenue equalization factor to 170 percent of the statewide average tax base per pupil.
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Section Description – Article 1: Property Taxes

Effective date: This section is effective for revenue for fiscal year 2024 and later.

2 Exempt property used by private entity for profit.

Provides for ten years a 50 percent reduction in net tax capacity for certain property at airports owned or operated by a city with a population over 50,000 but less than 150,000. This reduction does not apply to airports owned or operated by the Metropolitan Airports Commission. The bill also establishes an exemption for hangars used for manufacturing if the facility is owned by a city or county with a population under 50,000.

Effective date: This section is effective beginning with property taxes payable in 2023.

3 Solar energy generating systems.

Requires real property to be classified as class 3a (commercial) if the property contains more than one solar energy generating system that cannot be combined with another system for the purposes of the solar energy production tax.

Effective date: This section is effective beginning with property taxes payable in 2023.

4 Elderly living facility.

Establishes a property tax exemption for an elderly living facility in Duluth. Residents of the facility must be (i) at least 55 years of age, or (ii) disabled, and at least 30 percent of the units in the facility must be occupied by individuals whose income does not exceed 50 percent of the area median income.

Effective date: This section is effective beginning with assessment year 2023.

5 Energy storage systems.

Provides a property tax exemption for energy storage systems. Land on which the systems are located would remain taxable and would be classified as 3a commercial.

Effective date: This section is effective beginning with assessment year 2022.

6 Community land trusts.

States that community land trust units that are owned and used as a homestead by the occupant can qualify for the 4d property tax classification.

Effective date: This section is effective beginning with property taxes payable in 2023.

Section Description – Article 1: Property Taxes

7 Manufactured home park cooperative.

Conforming change related to the manufactured home park classification changes in section 9.

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

8 Class 2.

Adds industrial hemp to the definition of agricultural products. In order for land to be classified as agricultural for property tax purposes, the land must be used in the raising, cultivation, drying, or storage of agricultural products for sale. This change would allow property to qualify for the agricultural classification if it is used to produce industrial hemp.

Effective date: This section is effective beginning with assessment year 2023.

9 Class 4.

Creates one classification for manufactured home parks and set the classification rate for this classification at 0.75 percent.

This section also sets the classification rate at 0.75 percent for any community land trust unit that is owned and used as a homestead by the occupant, provided that (i) the community land trust owns the real property on which the unit is located, and (ii) the unit owner is a member in good standing of the community land trust.

Effective date: The manufactured home park provision is effective for property taxes payable in 2024 and thereafter. The community land trust provision is effective for property taxes payable in 2023 and thereafter.

10 Homestead of a veteran with a disability or family caregiver.

Changes the disabled veterans' exclusion application window for spouses of veterans who died due to a service-connected cause and spouses of veterans who would have been eligible for the 100 percent T&P exclusion. This section allows applications within two years of the service member's death, within two years of the spouse receiving a Dependency and Indemnity Compensation determination, or by December 31, 2023, whichever is later. Any surviving spouse whose application under this provision was previously denied may reapply.

Effective date: This section is effective for assessment year 2022 and thereafter.

11 Homestead market value exclusion.

Increases value thresholds and the maximum exclusion amount for the homestead market value exclusion. Under this section, the maximum home value eligible for the

Section Description – Article 1: Property Taxes

40 percent exclusion is increased to \$80,300 and the home value at which the exclusion is fully phased out is increased to \$437,100.

Effective date: This section is effective for assessment year 2023 and thereafter.

12 Credit amount.

Increases the school building bond agricultural credit to 85 percent beginning with property taxes payable in 2024.

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

13 Rate.

Removes the ten percent minimum on interest rates for delinquent property taxes. This section also allows counties to establish interest rates lower than the prime rate charged by banks when determining the rates applied to delinquent property taxes.

Effective date: This section is effective for property taxes, penalties, and costs determined to be delinquent on or after January 1, 2023.

14 Interest rate.

Removes the ten percent minimum on interest rates for the unpaid balance on any contract to repurchase tax-forfeited property. This section also allows counties to establish interest rates lower than the prime rate charged by banks when determining the rates applied to contracts to repurchase tax-forfeited property.

Effective date: This section is effective January 1, 2023.

15 Homestead.

Ensures that taxpayers are eligible for property tax refunds if they reside in community land trust property receiving the 4d(2) classification under section 9.

Effective date: This section is effective for refund claims based on taxes payable in 2023 and thereafter.

16 Program qualifications.

Increases from \$60,000 to \$96,000 the household income limit for the senior citizens' property tax deferral. This section also reduces from 15 to five the minimum number of years the homeowner must own and occupy the property in order to qualify.

Effective date: This section is effective for applications for deferral of taxes payable in 2023 and thereafter.

Section	Description – Article 1: Property Taxes
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17	Excess-income certification by taxpayer.
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	Conforming change related to the senior citizens' property tax deferral changes in section 16.
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18	Resumption of eligibility certification by taxpayer.
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	Conforming change related to the senior citizens' property tax deferral changes in section 16.
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19	Determination by commissioner.
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	Conforming change related to the senior citizens' property tax deferral changes in section 16.
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20	Repealer.
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	Repeals the definition of Class I manufactured home park. This is a conforming change related to the manufactured home park classification changes in section 9.
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	Effective date: This section is effective beginning with property taxes payable in 2024 and thereafter.
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Article 2: State Aids

This article makes several changes related to state aids, including:

- changing the city local government aid (LGA) formula;
- increasing the LGA appropriation;
- increasing the county program aid (CPA) appropriation;
- establishing a soil and water conservation district aid;
- establishing the stronger community aid program; and
- providing aid penalty forgiveness for the cities of Echo and Morton.

Section	Description – Article 2: State Aids
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1	Population age 65 and over. (LGA)
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	Defines population age 65 and over for the purposes of the city local government aid (LGA) formula.
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	Effective date: This section is effective for aids payable in calendar year 2023 and thereafter.
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Section Description – Article 2: State Aids

2 Transformed population. (LGA)

Defines transformed population for the purposes of the LGA formula. Transformed population is equal to the logarithm to the base 10 of the population and is used in the need factor formula for small cities.

Effective date: This section is effective for aids payable in calendar year 2023 and thereafter.

3 City revenue need. (LGA)

Changes the city revenue need calculations for all cities. The new need formulas are:

Small cities (under 2,500)

$$Need = (246.428 \times transformed\ population) + 79.351$$

Medium cities (2,500-9,999)

$$Need = 1.15 \times ((4.285 \times pre - 40\ housing\ percentage) \\ + (6.699 \times commercial\ industrial\ utility\ percentage) \\ + (17.645 \times peak\ population\ decline) + 502.094)$$

Large cities (10,000 or more)

$$Need = 1.15 \times ((8.559 \times pre - 40\ housing\ percentage) \\ + (7.629 \times city\ age\ index) \\ + (5.461 \times commercial\ industrial\ utility\ percentage) \\ + (8.481 \times peak\ population\ decline) + 297.789)$$

Effective date: This section is effective for aids payable in calendar year 2023 and thereafter.

4 City age index. (LGA)

Defines city age index for the purposes of the LGA formula. City age index is the share of a city's population aged 65 and over and is used in the need factor formula for large cities.

Effective date: This section is effective for aids payable in calendar year 2023 and thereafter.

5 Commercial industrial utility percentage. (LGA)

Defines commercial industrial utility percentage for the purposes of the LGA formula. Commercial industrial utility percentage is the share of a city's tax base classified as class 3 property and is used in the need factor formula for medium and large cities.

Section Description – Article 2: State Aids

- Effective date: This section is effective for aids payable in calendar year 2023 and thereafter.
- 6 Definitions. (LGA)**
References the definition for population age 65 and over in section 1 for the purposes of the county program aid formula. The definitions are the same and the county program aid calculation is unchanged.
- Effective date: This section is effective for aids payable in calendar year 2023 and thereafter.
- 7 City formula aid. (LGA)**
Removes a reference to certified aid adjustments, which are repealed in this article.
- 8 City aid distribution. (LGA)**
Removes a reference to certified aid adjustments, which are repealed in this article. This section also eliminates outdated language.
- Effective date: This section is effective for aids payable in calendar year 2023 and thereafter.
- 9 Cities. (LGA)**
Increases the LGA appropriation by \$34,219,901, from \$564,398,012 to \$598,617,913 and eliminates outdated language.
- Effective date: This section is effective for aids payable in calendar year 2023 and thereafter.
- 10 Counties.**
Increases the county program aid (CPA) appropriation by \$13,000,000, from \$261,668,444 to \$274,668,444. The need aid portion of the appropriation is increased by \$5,752,834, and the tax base equalization portion of the appropriation is increased by \$7,247,166.
- Effective date: This section is effective for aids payable in calendar year 2023 and thereafter.
- 11 Soil and water conservation district aid.**
Establishes a new state aid program that would distribute \$22,000,000 annually to soil and water conservation districts. Of this amount, 70 percent would be distributed equally among all districts and 30 percent would be distributed according to each district's proportional share of nonpublic land.

Section Description – Article 2: State Aids

Effective date: This section is effective beginning with aids payable in 2022.

12 Mahnomen property tax reimbursement aid. (LGA)

Codifies the Mahnomen County property tax reimbursement currently in session law. The section creates a state aid that pays the same amounts to the same jurisdictions as the session law currently distributes, except that the distribution to the city of Mahnomen is increased by \$160,000, an amount equal to the annual certified aid adjustment paid to the city, which is repealed in this article.

Effective date: This section is effective for aids payable in calendar year 2023 and thereafter.

13 Stronger community aid.

Replaces the current local performance measurement program with the stronger community aid program. Counties and cities electing to participate in the program would select and evaluate performance measures annually. The bill expands the current program to require participating jurisdictions to hold public meetings, during which the jurisdictions discuss their selected performance measures. Participating jurisdictions would annually receive \$0.14 per capita, up to \$25,000.

Effective date: This section is effective for aids payable in calendar year 2023 and thereafter.

14 Mahnomen County; county, city, school district, property tax reimbursement. (LGA)

Conforming change related to section 12. This section sets an expiration date for the Mahnomen County property tax reimbursement currently in session law. These reimbursements are codified and converted to a state aid in section 12.

Effective date: This section is effective for aids payable in calendar year 2023 and thereafter.

15 Aid penalty forgiveness; city of Echo.

Provides that the city of Echo will receive the portions of its 2021 local government aid and 2021 small cities assistance payment that were withheld, provided that the state auditor certifies that it received the city's annual financial report for 2020. The total amount of withheld aid that would be paid to the city is \$46,060.

Effective date: This section is effective the day following final enactment.

16 Aid penalty forgiveness; city of Morton.

Provides that the city of Morton will receive the portions of its 2021 local government aid and 2021 small cities assistance payment that were withheld, provided that the state auditor certifies that it received the city's annual financial

Section	Description – Article 2: State Aids
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report for 2020. The total amount of withheld aid that would be paid to the city is \$79,476.

Effective date: This section is effective the day following final enactment.

17 Repealer. (LGA)

Repeals definitions of need factors no longer used in the LGA formula: percent of housing built between 1940 and 1970, household size, and jobs per capita in the city. This section repeals the definitions of sparsity adjustments, which are eliminated from the LGA formula. This section also repeals certified aid adjustments.

Effective date: This section is effective for aids payable in calendar year 2023 and thereafter.

18 Repealer.

Repeals the local performance measurement program currently in statute. The stronger community aid program in section 13 is meant to replace this section of statute.

Effective date: This section is effective January 1, 2023.

Article 3: Tax Increment Financing

This article contains provisions modifying general law surrounding tax increment financing (TIF) such as:

- clarifying rules on use of administrative expenses;
- clarifying rules on pooling and decertification; and
- clarifying rules for treatment of violations of various TIF requirements.

Provides special TIF authority to the cities of Fridley, Hopkins, Plymouth, Savage, and Woodbury.

Section	Description – Article 3: Tax Increment Financing
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1 Administrative expenses.

Lists expenses which qualify as administrative costs for the purposes of TIF.

Effective the day following final enactment.

Section Description – Article 3: Tax Increment Financing

2 Pay-as-you-go contract and note.

Defines a pay-as-you-go contract and note for the purposes of TIF as a contract: (1) where an authority commits to using tax increment to reimburse a developer, property owner, or other note holder; and (2) where the developer, property owner, or note holder bears the risk that tax increment may be insufficient to cover reimbursement.

Effective the day following final enactment.

3 Limitation on administrative expenses.

For the purposes of calculating the allowable amount of administrative expenses, excludes from the calculation of total tax increment those amounts paid to the county auditor either as excess increment or as remedies for unlawfully including or keeping a property in a TIF district. Exempts from caps on administrative expenses money which is: (1) from selling or leasing property purchased by the authority using increment; and (2) spent on maintaining these properties, including reserves for repairs and insurance costs.

Effective the day following final enactment.

4 Limitation on use of tax increment; general rule.

Adds payment of administrative expenses to the list of purposes for which tax financing district revenue can be used.

Effective the day following final enactment.

5 Expenditures outside district.

Exempts amounts paid to the county auditor as excess increment or as remedies for unlawfully including or keeping a property in a TIF district from counting toward the total revenue derived from the district for the purposes of percentage pooling limits. Considers all other amounts paid to the county auditor (except for payments for using increment on impermissible projects or areas) to be expenditures within the district for the purposes of pooling limits.

Effective the day following final enactment. Applies to districts certified after April 30, 1990, except that the changes apply to districts decertifying beginning in the year following final enactment.

6 Five-year rule.

Makes technical changes to the five-year rule and removes an obsolete exception for public infrastructure projects.

Section Description – Article 3: Tax Increment Financing

- Effective the day following final enactment and applies to districts certified after April 30, 1990.
- 7 Use of revenues for decertification.**
Provides rules for decertification of a district and for deferral of decertification for a district with an outstanding pay-as-you-go note.

Effective the day following final enactment and applies to districts certified after April 30, 1990.
- 8 Pooling permitted for deficits.**
Makes a clarifying change in the formula for how to calculate the deficit of a district. Applies only to TIF districts for which certification was requested before August 1, 2001.

Effective the day following final enactment and applies to districts for which certification was requested prior to August 1, 1990.
- 9 Collection of increment.**
Removes an exception for failure to decertify a district from a requirement that an authority pay to the county auditor the amount generated from a property which was unlawfully included or kept in a TIF district.

Effective the day following final enactment.
- 10 Suspension of distribution of tax increment.**
Makes a clarifying change regarding a county auditor's withholding increments from authorities that fail to comply with their annual requirements for disclosure and financial reporting.

Effective the day following final enactment.
- 11 Expenditure of increment.**
Expands the sources of permitted purposes of TIF expenditures from Minn. Stat. § 469.176 to Minn. Stat. §§ 469.174 through 469.1794 (the portion of Minnesota Statutes, chapter 469 governing TIF).

Effective the day following final enactment.
- 12 District extension.**
Removes from existing special rules for Hopkins TIF District No. 2-11 a 20 percent cap on expenditures for housing and blight correction outside the district and increases

Section Description – Article 3: Tax Increment Financing

the cap on total spending outside the district from 25 percent to 30 percent of total increment.

Effective the day following final enactment.

13 Special rules.

Amends special rules for TIF districts in the city of Savage which were created pursuant to 2014 special legislation by further extending the five-year rule from eight to 11 years and by extending the time period during which the districts can be enlarged to eight years after the districts' net tax capacity was certified.

14 City of Fridley; tax increment financing district; special rules.

Establishes special rules for Fridley TIF District No. 20, allowing the district to use the percentage of revenue allowed to be expended outside the district on certain housing programs. Requires Fridley to submit annual financial reports regarding these expenditures and to report to the legislature on the district in 2024 and 2026.

Effective upon local approval and compliance with filing requirements for special laws.

15 City of Plymouth; TIF authority.

Allows Plymouth to establish a redevelopment district under special rules, including an exemption from the requirement that increment be spent on blight correction, an extension of the five-year rule to ten years, and authorization for Plymouth to expend increment on improvements to County Road 47 outside the district without having those expenditures count against pooling limits.

Effective upon local approval and compliance with filing requirements for special laws.

16 City of Woodbury; TIF District No. 13; expenditures allowed; duration extension.

Authorizes the city of Woodbury to expend increment generated by TIF District No. 13 on improvements to Central Park; extends the time period during which Woodbury can receive increment from the district by five years.

Effective upon local approval and compliance with filing requirements for special laws.

Article 4: Local Taxes

This article amends the general local sales tax law by clarifying provisions related to local sales and use tax resolutions and their submission to the legislature for purposes of seeking either a modification of a local sales tax or a new tax. In addition, resolutions would be required to describe the nexus between the nonresident taxpayers and the users of the proposed project. The article also clarifies when the local election to approve a tax may be held.

This article also authorizes new, modified, or extended local sales and use taxes for the following cities and counties: Aitkin, Blackduck, Bloomington, Brooklyn Center, East Grand Forks, Edina, Grand Rapids, Golden Valley, Henderson, Marshall, Proctor, Rice County, Rochester, Roseville, and Winona County.

The local sales taxes must be approved by the voters at a general election within two years of the authority being granted. For taxes funding multiple projects, the local government must have separate questions on the ballot for each project and only projects approved by the voters may be financed with the tax. Bonds for authorized projects are not subject to a separate vote and the bonds are not included in any debt or levy limits. Termination of the tax must occur at the end of a calendar quarter and, unless otherwise provided, any excess related to the timing of the termination goes into either the state or local government's general fund. A local government may also terminate the tax early.

Lastly, the article includes local lodging tax provisions for Plymouth and Woodbury.

Section	Description – Article 4: Local Taxes
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1	Authorization; scope; local sales taxes.
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Prohibits a political subdivision from spending funds to support a referendum to impose a local sales tax but allows other expenditures.

Effective date: day following enactment.

2	Local resolution before application for authority.
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Requires a local resolution to be adopted prior to modifying an existing tax and, along with new taxes, seeking legislative approval.

Requires a political subdivision to submit an amended resolution if the local tax proposal changes after submitting the required documentation on regional significance.

Requires that the resolution describes the nexus between the nonresident taxpayers and the users of the project.

Effective date: day following enactment.

Section Description – Article 4: Local Taxes

3 Legislative authority required before voter approval; requirements for adoption, use, termination.

Requires legislative approval to modify a local sales tax.

Requires the referendum to be held on the first Tuesday after the first Monday in November within a two-year period from the time the legislature authorizes the tax.

Effective date: day following enactment.

4 Rochester; authorization; extension.

Authorizes the city of Rochester to extend its existing local sales and use tax of 0.50 percent.

Effective date: upon local approval.

5 Rochester; use of sales and use tax revenues; additional projects.

Allows the city to use the tax revenues to fund the following projects:

- \$50 million for street reconstruction
- \$40 million for flood control and water quality
- \$65 million for a regional community and recreation complex
- an unspecified amount for the above projects, if the tax has not expired and the above project costs and bonds have been paid off

Effective date: upon local approval.

6 Rochester; bonding authority; additional projects and extension of tax.

Allows the city to bond for any project listed in section 5 that is approved by the voters. The amount of bonds that may be issued for each project is the amount listed in section 5 plus an amount needed to cover the costs of issuing the bonds.

Effective date: upon local approval.

7 Rochester; termination of taxes.

The tax terminates at the earlier of (1) 16.5 years after being imposed, or (2) when revenues are sufficient to pay for the approved projects and any associated bond costs.

Effective date: upon local approval.

Section Description – Article 4: Local Taxes

8 Cook county; lodging tax.

Strikes the county authority to impose an admissions and recreation tax but allows the county's lodging tax to expire 30 rather than 15 years from when imposed.

Effective date: day following final enactment.

9 City of Marshall; sales and use tax.

Subd. 2a. Authorization; extension. Authorizes the city of Marshall to extend a local sales and use tax of 0.50 percent.

Subd. 3a. Use of sales and use tax revenues; aquatic center. Allows the city to use the tax revenues to fund \$16 million for construction of a new municipal aquatic center.

Subd. 4a. Bonds; additional use and extension of tax. Allows the city to bond for any project listed in subdivision 3a that is approved by the voters. The amount of bonds that may be issued for each project is the amount listed in subdivision 3a plus an amount needed to cover the costs of issuing the bonds.

Subd. 5. Termination of taxes. The tax terminates at the earlier of (1) 30 years after being imposed, or (2) when revenues are sufficient to pay for the approved project and any associated bond costs.

Effective date: upon local approval.

10 City of Plymouth; local lodging tax authorized.

Removes the expiration date for the city of Plymouth's local lodging tax, authorized in 2019.

Effective date: day following final enactment.

11 City of Edina; taxes authorized.

Allows the city of Edina to increase the amount of revenue the city may collect to fund its Braemer Park project from \$21.6 million to \$46.9 million.

The city received legislative authorization in 2021 to impose a local sales and use tax of 0.50 percent to fund two park projects, for Fred Richards Park (\$17.7 million) and Braemer Park (\$21.6 million).

In addition, the city would be able to use any proceeds generated from the tax prior to expiration for capital improvements projects to the city's park and recreation system.

Section Description – Article 4: Local Taxes

The duration of the tax is also reduced from 19 years to 17 years, or when the city council determines that sufficient revenues have been raised to pay the project and bond costs for the allowed projects.

Effective date: upon local approval.

12 City of Grand Rapids; taxes authorized.

Increases the duration of the city of Grand Rapids' 0.50 percent local sales tax (authorized by the legislature in 2021) from seven to ten years and the amount of revenue the city may collect for its civic center project from \$5.98 million to \$10.6 million.

Effective date: upon local approval.

13 City of Aitkin; taxes authorized.

Subd. 1. Sales and use tax authorization. Authorizes the city of Aitkin to impose a local sales and use tax of one percent.

Subd. 2. Use of sales tax revenues. Allows the city to use the tax revenues to fund the following projects:

- \$8.3 million for construction of a new municipal building
- \$1 million for improvements to parks and trails

Subd. 3. Bonding authority. Allows the city to bond for any project listed in subdivision 2 that is approved by the voters. The amount of bonds that may be issued for each project is the amount listed in subdivision 2 plus an amount needed to cover the costs of issuing the bonds.

Subd. 4. Termination of the tax. The tax terminates at the earlier of (1) 19 years after being imposed, or (2) when revenues are sufficient to pay for the approved projects and any associated bond costs.

Effective date: upon local approval.

14 City of Blackduck; taxes authorized.

Subd. 1. Sales and use tax authorization. Authorizes the city of Blackduck to impose a local sales and use tax of 0.50 percent.

Subd. 2. Use of sales tax revenues. Allows the city to use the tax revenues to fund the following projects:

- \$200,000 for improvements to a city campground
- \$300,000 for improvements to a walking trail

Section Description – Article 4: Local Taxes

- \$250,000 for improvements to a wayside rest
- \$150,000 for golf course irrigation equipment
- \$100,000 for reconstruction of a library

Subd. 3. Bonding authority. Allows the city to bond for any project listed in subdivision 2 that is approved by the voters. The amount of bonds that may be issued for each project is the amount listed in subdivision 2 plus an amount needed to cover the costs of issuing the bonds.

Subd. 4. Termination of the tax. The tax terminates at the earlier of (1) 20 years after being imposed, or (2) when revenues are sufficient to pay for the approved projects and any associated bond costs.

Effective date: upon local approval.

15 City of Bloomington; taxes authorized.

Subd. 1. Sales and use tax authorization. Authorizes the city of Bloomington to impose a local sales and use tax of 0.50 percent.

Subd. 2. Use of sales tax revenues. Allows the city to use the tax revenues to fund the following projects:

- \$32 million for improvements and rehabilitation of the Bloomington Ice Garden
- \$70 million for construction of a community health and wellness center
- \$33 million for an expansion to the Bloomington Center for the Arts Concert Hall

Approved uses of the tax revenue also include “associated infrastructure” which is defined in the bill as construction activities related to safe access and use of the property, including improvements for facilities, roads, lighting, sidewalks, parking, landscaping, or utilities.

Subd. 3. Bonding authority. Allows the city to bond for any project listed in subdivision 2 that is approved by the voters. The amount of bonds that may be issued for each project is the amount listed in subdivision 2 plus an amount needed to cover the costs of issuing the bonds.

Subd. 4. Termination of the tax. The tax terminates at the earlier of (1) 20 years after being imposed, or (2) when revenues are sufficient to pay for the approved projects and any associated bond costs.

Effective date: upon local approval.

Section Description – Article 4: Local Taxes

16 City of Brooklyn Center; taxes authorized.

Subd. 1. Sales and use tax authorization. Authorizes the city of Brooklyn Center to impose a local sales and use tax of 0.50 percent.

Subd. 2. Use of sales tax revenues. Allows the city to use the tax revenues to fund \$55 million for renovation and expansion of the Brooklyn Center Community Center.

Subd. 3. Bonding authority. Allows the city to bond for the project listed in subdivision 2 that is approved by the voters. The amount of bonds that may be issued for the project is the amount listed in subdivision 2 plus an amount needed to cover the costs of issuing the bonds.

Subd. 4. Termination of the tax. The tax terminates at the earlier of (1) 20 years after being imposed, or (2) when revenues are sufficient to pay for the approved project and any associated bond costs.

Effective date: upon local approval.

17 City of East Grand Forks; taxes authorized.

Subd. 1. Sales and use tax authorization. Authorizes the city of East Grand Forks to impose a local sales and use tax of 1.25 percent.

Subd. 2. Use of sales tax revenues. Allows the city to use the tax revenues to fund the following projects:

- \$16.5 million for reconstruction, remodeling, upgrades, and additions to the Civic Center Sports Complex
- \$5 million for reconstruction, remodeling, upgrades, and additions to the VFW Memorial and Blue Line Arena

Subd. 3. Bonding authority. Allows the city to bond for any project listed in subdivision 2 that is approved by the voters. The amount of bonds that may be issued for each project is the amount listed in subdivision 2 plus an amount needed to cover the costs of issuing the bonds.

Subd. 4. Termination of the tax. The tax terminates at the earlier of (1) 20 years after being imposed, or (2) when revenues are sufficient to pay for the approved projects and any associated bond costs.

Effective date: upon local approval.

Section Description – Article 4: Local Taxes

18 City of Golden Valley; taxes authorized.

Subd. 1. Sales and use tax authorization. Authorizes the city of Golden Valley to impose a local sales and use tax of 0.50 percent.

Subd. 2. Use of sales tax revenues. Allows the city to use the tax revenues to fund the following projects:

- \$38 million for construction of a new public works facility
- \$35 million for construction of a new public safety facility

Subd. 3. Bonding authority. Allows the city to bond for any project listed in subdivision 2 that is approved by the voters. The amount of bonds that may be issued for each project is the amount listed in subdivision 2 plus an amount needed to cover the costs of issuing the bonds.

Subd. 4. Termination of the tax. The tax terminates at the earlier of (1) 30 years after being imposed, or (2) when revenues are sufficient to pay for the approved projects and any associated bond costs, subject to the requirements that the termination occurs at the start of a calendar quarter.

Effective date: upon local approval.

19 City of Henderson; taxes authorized.

Subd. 1. Sales and use tax authorization. Authorizes the city of Henderson to impose a local sales and use tax of 0.50 percent.

Subd. 2. Use of sales tax revenues. Allows the city to use the tax revenues to fund \$240,000 for the Allanson's Park Campground and Trail project.

Subd. 3. Bonding authority. Allows the city to bond for the project listed in subdivision 2 that is approved by the voters. The amount of bonds that may be issued for the project is the amount listed in subdivision 2 plus an amount needed to cover the costs of issuing the bonds.

Subd. 4. Termination of the tax. The tax terminates at the earlier of (1) 15 years after being imposed, or (2) when revenues are sufficient to pay for the approved project and any associated bond costs.

Effective date: upon local approval.

20 City of Proctor; taxes authorized.

Subd. 1. Sales and use tax authorization. Authorizes the city of Proctor to impose a local sales and use tax of 0.50 percent.

Section Description – Article 4: Local Taxes

Subd. 2. Use of sales tax revenues. Allows the city to use the tax revenues to fund \$3.85 million for construction of a new regional trail in the city.

Subd. 3. Bonding authority. Allows the city to bond for the project listed in subdivision 2 that is approved by the voters. The amount of bonds that may be issued for the project is the amount listed in subdivision 2 plus an amount needed to cover the costs of issuing the bonds.

Subd. 4. Termination of the tax. The tax terminates at the earlier of (1) 20 years after being imposed, or (2) when revenues are sufficient to pay for the approved project and any associated bond costs.

Effective date: upon local approval.

21 Rice County; taxes authorized.

Subd. 1. Sales and use tax authorization. Authorizes Rice County to impose a local sales and use tax of three-eighths of one percent (0.375).

Subd. 2. Use of sales tax revenues. Allows the county to use the tax revenues to fund \$77 million for construction of a public safety facility.

Subd. 3. Bonding authority. Allows the county to bond for the project listed in subdivision 2 that is approved by the voters. The amount of bonds that may be issued for the project is the amount listed in subdivision 2 plus an amount needed to cover the costs of issuing the bonds.

Subd. 4. Termination of the tax. The tax terminates at the earlier of (1) 30 years after being imposed, or (2) when revenues are sufficient to pay for the approved project and any associated bond costs.

Effective date: upon local approval.

22 City of Roseville; taxes authorized.

Subd. 1. Sales and use tax authorization. Authorizes the city of Roseville to impose a local sales and use tax of 0.50 percent.

Subd. 2. Use of sales tax revenues. Allows the city to use the tax revenues to fund the following projects:

- \$42 million for construction of a new maintenance facility
- \$7 million for construction of a new license and passport center
- \$16 million for construction of a pedestrian bridge

Section Description – Article 4: Local Taxes

Subd. 3. Bonding authority. Allows the city to bond for any project listed in subdivision 2 that is approved by the voters. The amount of bonds that may be issued for each project is the amount listed in subdivision 2 plus an amount needed to cover the costs of issuing the bonds.

Subd. 4. Termination of the tax. The tax terminates at the earlier of (1) 16 years after being imposed, or (2) when revenues are sufficient to pay for the approved projects and any associated bond costs.

Effective date: upon local approval.

23 Winona County; taxes authorized.

Subd. 1. Sales and use tax authorization. Authorizes Winona County to impose a local sales and use tax of 0.25 percent.

Subd. 2. Use of sales tax revenues. Allows the county to use the tax revenues to fund \$28 million for new construction of or upgrades to a correctional facility.

Subd. 3. Bonding authority. Allows the county to bond for the project listed in subdivision 2 that is approved by the voters. The amount of bonds that may be issued for the project is the amount listed in subdivision 2 plus an amount needed to cover the costs of issuing the bonds.

Subd. 4. Termination of the tax. The tax terminates at the earlier of (1) 25 years after being imposed, or (2) when revenues are sufficient to pay for the approved project and any associated bond costs.

Effective date: upon local approval.

24 City of Woodbury; lodging tax authorized.

Allows the city of Woodbury to dedicate 2/3 of the revenue received under a local lodging tax for capital improvements to public recreational facilities.

Effective date: upon local approval.

Article 5: Renter's Credit

Article 5 converts the renter's credit into a refundable income tax credit, effective for 2022 refunds (based on 2022 incomes, 2022 rents, and payable in 2023).

The amount of the credit would be calculated in the same manner as under current law, except the bill would simplify the measure of income used to calculate the credit. Under current law,

“household income,” the income measure used to calculate the credit includes many categories of nontaxable income. Under the bill, household income equals adjusted gross income, minus exemptions allowed for taxpayers with dependents, taxpayers who are 65 or older, and taxpayers who have a disability.

As a result of the conversion to an income tax credit, renters would claim the credit as part of their individual income tax return, which is generally due April 15. For taxpayers owed a refund as a result of the renter’s credit, the refund would be paid out on the same schedule as other income tax refunds. Under current law, refunds are generally paid in August or October.

The bill largely retains the administrative provisions for the renter’s credit that are codified in current law under chapter 290A, the chapter of statutes for property tax refunds. Many of these administrative provisions are duplicated in the new language for the credit, or are moved out of chapter 290A and into section 290.0693, a new section of law establishing the income tax credit.

The bill instructs the revisor of statutes to recodify one section in chapter 290A that is specific to the renter’s credit as a subdivision of section 290.0693, and additionally instructs the revisor to make other technical and cross-reference changes needed to implement the new credit.

The table below describes the new language that is codified in section 290.0693, as well as the corresponding provisions of chapter 290A that are the source of the new language.

Sources of New Renter’s Credit Language in Section 290.0693

290.0693 Language	Source	Changes
Subd. 1, para. (b) (“Dependent” definition)	290A.03, subd. 8	None
Subd. 1, para. (d) (“Exemption amount” definition)	290A.03, subd. 3, para. (d), clause (1)	Technical
Subd. 1, para. (e) (“Gross rent” definition)	290A.03, subd. 12	None
Subd. 1, para. (g) (“Household income” definition)	290A.03, subd. 5	None
Subd. 1, para. (h) (“Income” definition)	290A.03, subd. 3	Substantive changes: household income changed to equal adjusted gross income, minus exemptions.
Subd. 1, para. (i) (“Rent constituting property taxes” definition)	290A.03, subd. 11	None
Subd. 3 para. (a) (Credit calculation)	290A.04, subd. 2a	None

Subd. 3 para. (b) (Inflation adjustment)	290A.04, subd. 4	Statutory year update
Subd. 4 para. (a) (Eligibility; residency)	290A.04, subd. 8, para. (a)	Rewritten to address taxpayers rather than claimants.
Subd. 4 para. (b) (Eligibility; residency)	290A.04, subd. 8, para. (b)	Rewritten to address taxpayers rather than claimants.
Subd. 4 para. (c) (Eligibility; residency)	290A.04, subd. 8, para. (e)	Significant rewrite to address taxpayers rather than claimants.
Subd. 5 (Residents of nursing homes; intermediate care facilities; long-term care facilities, or facilities accepting housing support payments.)	290A.04, subd. 8, paras. (c) and (d)	Rewritten to address taxpayers rather than claimants.
Subd. 6 (Credit for unmarried taxpayers residing in the same household.)	290A.04, subd. 8, para. (f)	Rewritten to address taxpayers rather than claimants.
Subd. 7 (One credit per household)	290A.08	Rewritten to fit into income tax structure, but substantive rule is the same (one credit per household).
Subd. 8 (Proof of claim)	290A.09	Rewritten to address taxpayers rather than claimants.
Subd. 9 (No relief allowed in certain cases)	290A.13	Changed to reference credit.
Subd. 10 (Appropriation)	290A.23, subd. 1	New appropriation (chap. 290A appropriation was repealed).
Owner or managing agent to furnish rent certificate	290A.19	Moved to sec. 290.0693 via revisor's instruction.

Article 6: Miscellaneous

Article 6 contains miscellaneous property tax provisions, including an increase in the homestead credit state refund, an increase in the additional or “targeting” property tax refund, and the creation of tourism improvement districts.

This article would create a new chapter in Minnesota Statutes, allowing counties, cities, and towns to establish tourism improvement districts (TIDs). After a majority of lodging business owners in a proposed TID petition the municipality, the municipality could create a TID, imposing service charges used to fund improvements and activities to promote tourism in the TID.

Sections 4 to 13 become effective the day following final enactment.

Section	Description – Article 6: Miscellaneous
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1	Homestead credit state refund.
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	Increases refunds allowed under the homestead credit state refund. Increases the maximum refund by \$200 for all income ranges, reduces the threshold percentages by .1 percent for claimants with household incomes between \$21,410 and \$33,120, and reduces co-pay percentages by five percent for claimants with household incomes between \$33,120 and \$77,870.
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	Effective for 2022 refunds (based on 2022 incomes, 2022 property taxes, and payable in 2023).
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2	Additional property tax refund.
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	Lowers the property tax threshold and increases the maximum refund for the additional (also known as “targeting”) property tax refund. Reduces the 12 percent threshold to qualify for a refund to ten percent, and increases the maximum refund from \$1,000 to \$2,000.
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	Effective for 2022 refunds (based on 2022 incomes, 2022 property taxes, and payable in 2023).
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3	Inflation adjustment.
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	Changes the statutory year to 2022 for the inflation adjustment for property tax refunds.
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4	Definitions.
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	Defines terms for the proposed new TID chapter of Minnesota Statutes, including “business” as a lodging business as defined by municipal law and “impacted business owners” as a majority of business owners in the TID.
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5	Establishment of tourism improvement district.
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	Allows a municipality to establish TIDs after receiving a petition from impacted business owners and after holding a public hearing. Allows the municipality to impose a service charge on businesses in the TID for activities and improvements that will benefit businesses in the TID. Allows appeal of the adoption of the ordinance to a district court and requires notice to the Department of Revenue when a TID is established.
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6	Service charge authority; notice; hearing requirement.
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	Allows a municipality to impose service charges to fund an activity or improvement in the TID if the activity or improvement is provided in the TID at an increased level of service. Limits the charges to the amount necessary to pay for the increases in the
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Section Description – Article 6: Miscellaneous

- level of service. Requires an annual hearing regarding continuation of service charges in the TID.
- 7 Modification of ordinance.**
Allows a tourism improvement district to be modified after a public hearing if the change is requested by the tourism improvement association. Requires that changes to the service charge or expansion of the district be initiated by petition of the impacted business owners. Allows changes to be vetoed by business owners.
- 8 Collection of service charges; penalties.**
Allows a municipality, tourism improvement association, or other designated entity to collect service charges and to charge interest and penalties for delinquent payments, as provided by the ordinance.
- 9 Tourism improvement association.**
Requires an ordinance establishing a TID to designate a tourism improvement association, which may select the improvements and activities to be funded by the TID and which must report to the municipality in every year a service charge is imposed. Requires a tourism improvement association to report annually to the municipality and to appoint a governing body or committee of business owners or their representatives to manage funds raised by the TID.
- 10 Petition required.**
Prohibits a municipality from establishing or modifying a TID unless impacted business owners petition for a public hearing on establishing or modifying the TID.
- 11 Veto power of owners.**
Requires an ordinance establishing a TID to have an effective date at least 45 days after the ordinance is adopted. Allows veto of the ordinance if impacted business owners file an objection to the ordinance before it becomes effective.
- 12 Disestablishment.**
Requires an ordinance establishing a TID to include an annual 30-day period during which impacted business owners may request to have the TID disestablished by petitioning for disestablishment. Requires a public hearing prior to disestablishment and requires refunds of any remaining service charge revenue after disestablishment.
- 13 Coordination of districts.**
Prohibits a city or town from establishing a TID in the area where a county has established a TID; prohibits a county from establishing a TID in the area where a city or town has established a TID.



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