

Subject Property Tax Division Report

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Article 1: Property Taxes and Aids

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

- providing property tax exemptions for certain properties owned by Indian Tribes;
- increasing the valuation tiers for class 1c homestead resorts;
- allowing abatements for land bank property;
- modifying the town aid formula to allow the entire appropriation to be spent;
- increasing the town aid appropriation; and
- providing aid penalty forgiveness to the city of Stewart.

Section	Description – Article 1: Property Taxes and Aids
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| 1 | <p>Certain property owned by an Indian Tribe.
Exempts from property tax five parcels of land owned by the Grand Portage Band.</p> <p>Effective date: This section is effective beginning with assessment year 2025.</p> |
| 2 | <p>Certain property owned by an Indian Tribe.
Provides a property tax exemption for property in Minneapolis owned by the Leech Lake Band of Ojibwe.</p> <p>Effective date: This section is effective beginning with assessment year 2025.</p> |

Section Description – Article 1: Property Taxes and Aids

3 Class 1.

Increases the classification tier thresholds for class 1c homestead resorts. The tier I limit is increased from \$600,000 to \$1,100,000. The tier II limit is increased from \$1,700,000 to \$2,600,000.

Effective date: This section is effective beginning with assessment year 2025.

4 Land bank organization.

Defines “land bank organization” as an organization that acquires, holds, or manages vacant, blighted, foreclosed, or tax-forfeited property for future development, redevelopment, or disposal. A land bank organization must be either (1) a nonprofit organization with a governing board whose members are elected or appointed by a unit of government, an agency of a unit of government, or whose members are elected or appointed officials of a unit of government, or (2) a limited liability company of which such a nonprofit is the sole member.

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

5 Authority.

Allows local units of government to abate property taxes on property that will be used for the development of affordable housing and on property that is held by a land bank organization for future development.

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

6 Duration limit.

Allows abatements granted for the development of affordable housing and to land bank property to be granted for a duration of up to five years.

Effective date: This section is effective for abatement resolutions approved after the day following final enactment.

7 Repayment.

Requires repayment, with interest, of an abatement received by a land bank organization if the land for which the abatement was granted is used for a purpose other than the purpose given by the land bank organization, prior to redevelopment. Land is subject to this provision for the same number of years that the abatement was granted.

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

Section Description – Article 1: Property Taxes and Aids

8 Towns. (Formula)

Modifies the town aid distribution formula so that the entire amount available for the aid is distributed. Under current law, the sum of each town's distribution may be less than the \$10,000,000 annually appropriated for the aid. The formula would still distribute aid based on each township's area, population, and share of tax base made up of agricultural land.

Effective date: This section is effective for aid payable in calendar year 2025 and thereafter.

9 Towns. (Appropriation)

Increases the annual appropriation for the aid from \$10,000,000 to \$11,500,000.

Effective date: This section is effective for aid payable in calendar year 2025 and thereafter.

10 Property tax exemption; Red Lake Nation College.

Provides a property tax exemption for taxes paid in 2022 and a portion of taxes paid in 2021 for property in Minneapolis purchased by Red Lake Nation for the Red Lake Nation College. The bill provides a state paid refund to the property owner for the tax amount attributable to this exemption.

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

11 2023 aid penalty forgiveness; city of Stewart.

Allows the city of Stewart to receive the portion of its 2023 local government aid payment that was withheld. The city would receive the withheld aid amount of \$87,501.50, provided that, by June 1, the state auditor certifies that the city submitted its required financial statements for 2022.

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

Article 2: Minerals

This article makes several changes related to minerals taxation and the Iron Range, including:

- increasing the maximums for the taconite homestead credit;
- changing the property tax statement for commercial-industrial property;
- modifying the distribution of the taconite production tax;
- providing transfers from the Douglas J. Johson economic protection trust fund and taconite economic development fund; and

- authorizing the issuance of bonds by the commissioner Iron Range resources and rehabilitation.

Section Description – Article 2: Minerals

1 Reduction amount.

Increases the maximum taconite homestead credit to \$515. Under current law, the credit is available to homesteads within the taconite relief area and is funded by taconite production tax revenues. For certain areas within the taconite relief area, the credit is equal to 66 percent of the tax due, up to a maximum amount of \$315.10. For other areas within the taconite relief area, the credit is equal to 57 percent of the tax due, up to a maximum amount of \$289.80. This bill would increase both maximum amounts to \$515.

Effective date: This section is effective beginning with property taxes payable in 2025.

2 Notice of proposed taxes; property subject to chapter 276A.

Changes the proposed property tax statement for commercial-industrial property within the boundaries of the Iron Range fiscal disparities program. The tax amount for each jurisdiction shown on the statement would be equal to the property's net tax capacity multiplied by the jurisdiction's rate. This would be the amount paid to each jurisdiction, absent of the fiscal disparities program. An additional line shown as the "fiscal disparities adjustment" will be equal to the total tax applied to the property minus the sum of the tax amounts shown for each jurisdiction. This value represents the impact of the fiscal disparities program on the overall tax paid by the property. For some properties, this value will be positive, for others it will be negative.

Effective date: This section is effective beginning with proposed notices for property taxes payable in 2025.

3 Contents of tax statements; property subject to chapter 276A.

Changes the property tax statement for commercial-industrial property within the boundaries of the Iron Range fiscal disparities program in the same manner that the proposed property tax statement is changed in the previous section.

Effective date: This section is effective beginning with proposed notices for property taxes payable in 2025.

4 Within taconite assistance area.

Clarifies that the redirection of ten percent of the gross proceeds tax to Aurora, Babbitt, Ely, Hoyt Lakes, Biwabik, and Embarrass Township for the first five years that distributions of the tax are made only applies to distribution of taxes paid by a mining

Section Description – Article 2: Minerals

operation located within the taconite assistance area, as it was defined prior to the changes to that definition that were enacted in 2023.

Effective date: This section is effective beginning with the 2025 distribution.

5 Range Association of Municipalities and Schools.

Increases the taconite production tax distribution to the Range Association of Municipalities and Schools (RAMS) to 0.4 cents per taxable ton.

Effective date: This section is effective beginning with the 2024 distribution.

6 Transfer.

Increases the annual transfer of the taconite production tax distribution from the Douglas J. Johnson economic protection trust fund to the Iron Range consolidation and cooperatively operated school account. Under current law, \$3,500,000 is transferred annually. Under the bill, \$6,250,000 would be transferred in 2024, \$6,500,000 would be transferred in 2025-2029, \$5,500,000 would be transferred in 2030-2034, \$5,000,000 would be transferred in 2035 and 2036, and \$3,500,000 would be transferred annually beginning in 2037.

Effective date: This section is effective beginning with the 2024 distribution.

7 Distribution of taconite municipal aid account.

Increases from \$15,000 to \$25,000 the amount of the taconite production tax distribution to the taconite municipal aid account that is annually distributed to Breitung Township.

Effective date: This section is effective beginning with the 2024 distribution.

8 Use of money.

Clarifies that the Douglas J. Johnson economic protection trust fund may be used to fund reserve accounts to secure payments of bonds authorized to be repaid from the Iron Range consolidation and cooperatively operated school account. Sections 9 and 10 of this article authorize such bonds.

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

9 Iron Range resources and rehabilitation commissioner; bonds authorized in 2024.

Requires the commissioner of Iron Range resources and rehabilitation to issue up to \$49,000,000 in bonds in 2024 to fund grants for a variety of projects. The bond payments would be made from taconite production tax distributions to the Iron Range consolidation and cooperatively operated school account.

Section Description – Article 2: Minerals

Effective date: This section is effective the day following final enactment and applies beginning with the 2024 distribution.

10 Iron Range resources and rehabilitation commissioner; bonds authorized in 2024.

Requires the commissioner of Iron Range resources and rehabilitation to issue up to \$30,500,000 in bonds in 2025 to fund grants for a variety of projects. The bond payments would be made from taconite production tax distributions to the Iron Range consolidation and cooperatively operated school account.

Effective date: This section is effective the day following final enactment and applies beginning with the 2025 distribution.

11 Transfer 2024 distribution only; taconite economic development fund.

Provides a onetime transfer of \$300,000 from the 2024 distribution to the taconite economic development fund to the city of Chisholm for the Senator David Tomassoni Bridge of Peace.

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

Article 3: Tax Increment Financing

This article amends existing special tax increment financing laws for the cities of Ramsey, St. Paul, and Maple Grove.

This article provides new special tax increment financing authority to the cities of Brooklyn Center, Eden Prairie, Edina, Minnetonka, Moorhead, Plymouth, and St. Cloud.

Section Description – Article 3: Tax Increment Financing

1 City of Ramsey; tax increment financing district; special rules.

Amends an existing special law relating to a tax increment financing district in the city of Ramsey by exempting the district from statutory interfund loan requirements relating to the financing of the construction of the Northstar Transit Station and other public improvements installed within the district.

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

2 City of Maple Grove; tax increment financing district.

Amends an existing special law relating to a tax increment financing district in the city of Maple Grove by making the following modifications:

Section Description – Article 3: Tax Increment Financing

- expands the authorized project area to include any rights-of-way or highways that serve the project area;
- extends the five-year rule by an additional five years to 13 years total;
- expands the allowable area in which the city may spend increment from any district as an in-district expenditure to encompass the boundaries of the city;
- allows increment from a soil deficiency district to be used to pay for land acquisition within or outside of the district; and
- allows increment from a soil deficiency district to be used for road improvements at the intersection of Highway 169 and County Road 130.

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

3 City of St. Paul; Ford Site Redevelopment TIF District.

Extends the five-year rule to ten years and provides a corresponding extension of the six-year rule for a tax increment financing district in the city of St. Paul.

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

4 City of Brooklyn Center; tax increment financing authority.

Authorizes special rules for the city of Brooklyn Center to create redevelopment tax increment financing districts within the city.

Subd. 1. Establishment. Authorizes the city to establish one or more redevelopment districts within an area of the city designated the “Opportunity Site.”

Subd. 2. Special rules. Allows the following special rules to apply to any district established under subdivision 1:

- exempts from the required blight findings for establishing a redevelopment district;
- exempts from the requirement that at least 90 percent of increment be spent on correction of blight conditions; and
- deems any increment spent outside of the district, but within the Opportunity Site, to be an in-district expenditure to satisfy pooling requirements.

Subd. 3. Expiration. Authorizes the city to establish districts under these special rules until December 31, 2030.

Section Description – Article 3: Tax Increment Financing

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

5 City of Eden Prairie; tax increment financing authority.

Authorizes special rules for the city of Eden Prairie to create redevelopment tax increment financing districts within the city containing parcels that comprise the Eden Prairie Center mall with adjacent rights-of-way.

Subd. 1. Establishment. Authorizes the city to establish one or more redevelopment districts within the city limited to the parcels containing Eden Prairie Center and adjacent rights-of-way.

Subd. 2. Special rules. Allows the following special rules to apply to any district established under subdivision 1:

- exempts from the required blight findings for establishing a redevelopment district; and
- exempts from the requirement that at least 90 percent of increment be spent on correction of blight conditions.

Subd. 3. Expiration. Authorizes the city to establish districts under these special rules until December 31, 2025.

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

6 City of Edina; 72nd & France 2 TIF district; five-year rule extension; duration extension.

Extends the five-year rule to ten years and provides a corresponding extension of the six-year rule. Extends the duration of the district by five years.

Effective date: The extensions of the five-year rule and six-year rule are effective upon local approval and compliance with filing requirements for special laws.

The extensions of the duration of the districts are effective upon local approval by the city of Edina, Hennepin County, and Independent School District No. 273, and compliance with filing requirements for special laws.

7 City of Edina; 70th & France TIF district; five-year rule extension; duration extension.

Extends the five-year rule to ten years and provides a corresponding extension of the six-year rule. Extends the duration of the district by ten years.

Section Description – Article 3: Tax Increment Financing

Effective date: The extensions of the five-year rule and six-year rule are effective upon local approval and compliance with filing requirements for special laws.

The extensions of the duration of the districts are effective upon local approval by the city of Edina, Hennepin County, and Independent School District No. 273, and compliance with filing requirements for special laws.

8 City of Minnetonka; tax increment financing authority.

Authorizes special rules for a renewal and renovation tax increment financing district in the city of Minnetonka that was established in 2021.

Subd. 1. Establishment. Requires that the special rules established in subdivision 2 apply to the renewal and renovation tax increment financing district established in the city of Minnetonka in 2021.

Subd. 2. Special rules. Allows the following special rules to apply to the district established under subdivision 1:

- exempts from the requirement that at least 90 percent of increment be spent on correction of blight conditions; and
- allows increment to be spent in the district on projects detailed in the city's Final Alternative Urban Area Review Opus Study Area from December 2020. Such allowable expenses include infrastructure and road improvements, environmental remediation, land and right-of-way acquisition, parking, related sewer, water, and utility improvements, and related administrative costs.

Subd. 3. Five-year rule. Extends the five-year rule to ten years.

Subd. 4. Six-year rule. Exempts from the requirement to use revenue generated after year five to decertify the district.

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

9 City of Moorhead; Tax Increment Financing District No. 31; five-year rule extension.

Extends the five-year rule to ten years and provides a corresponding extension of the six-year rule.

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

Section Description – Article 3: Tax Increment Financing

10 City of Plymouth; tax increment financing authority.

Authorizes special rules for the city of Plymouth to create redevelopment tax increment financing districts within the city.

Subd. 1. Establishment. Authorizes the city to establish one or more redevelopment districts within the city.

Subd. 2. Special rules. Allows the following special rules to apply to any district established under subdivision 1:

- exempts from the required blight findings for establishing a redevelopment district;
- exempts from the requirement that at least 90 percent of increment be spent on correction of blight conditions;
- extends the five-year rule to ten years;
- deems any increment spent outside of the district to be an in-district expenditure to satisfy pooling requirements; and
- exempts the districts from the requirement to use revenue generated after year five to decertify the district.

Subd. 3. Expiration. Authorizes the city to establish districts under these special rules until December 31, 2030.

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

11 City of St. Cloud; tax increment financing authority.

Authorizes special rules for the city of St. Cloud to create redevelopment tax increment financing districts within the city.

Subd. 1. Establishment. Authorizes the city or its economic development authority to establish one or more redevelopment districts within the city limited to specified parcels that span both Stearns and Benton Counties.

Subd. 2. Special rules. Allows the following special rules to apply to any district established under subdivision 1:

- exempts from the required blight findings for establishing a redevelopment district;
- exempts from the requirement that at least 90 percent of increment be spent on correction of blight conditions; and

Section Description – Article 3: Tax Increment Financing

- deems any increment spent outside of the district on adjacent public infrastructure to be an in-district expenditure to satisfy pooling requirements.

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

Article 4: Special Local Taxes

This article provides modifications to the general law governing local lodging taxes and modifies the food and beverage and lodging tax imposed in the city of Minneapolis.

Section Description – Article 4: Special Local Taxes

1 Authorization.

States that local lodging taxes apply to the whole price of lodging charged to the customer, including services provided by accommodation intermediaries. “Accommodation intermediaries” are entities that facilitate the sale of lodging and charge a room charge to a customer.

Effective date: Effective July 1, 2024.

2 Collection.

Allows a local government that collects its own lodging tax to choose to limit the required filing and remittance of the tax by accommodation intermediaries to once per year.

Requires that the local government provide the intermediaries with geographic and zip code information needed to correctly assess the tax.

Effective date: Effective July 1, 2024.

3 City of Minneapolis; liquor, lodging, and restaurant taxes.

Lowers the rate of the food and beverage tax imposed in restaurants and bars in the downtown taxing area from three percent to 2.5 percent.

Effective date: Effective October 1, 2024.

4 City of Minneapolis; downtown taxing area.

Extends the northern boundaries of the downtown taxing area to include a portion of Plymouth Avenue North and a larger portion of the North Loop.

Section Description – Article 4: Special Local Taxes

Effective date: Effective October 1, 2024.

Article 5: Miscellaneous

This article contains provisions that allow cities to establish land-value taxation districts and provides a grant to the city of South St. Paul.

Section Description – Article 5: Miscellaneous

1 Definitions.

Defines terms for sections that allow cities to establish land-value taxation districts.

Effective date: This section is effective beginning with taxes payable in 2025.

2 Establishment of land-value taxation district.

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

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

Effective date: This section is effective beginning with taxes payable in 2025.

3 Restrictions on tax reallocation procedure.

Allows cities to reallocate property taxes within a land-value taxation district on the basis of one or more of the following tax bases:

- net tax capacity;
- referendum market value;
- a tax base which excludes the value of improvement (i.e., the value of the land only); or
- a tax base which excludes the value of improvements made to the property after a specified date.

Effective date: This section is effective beginning with taxes payable in 2025.

Section Description – Article 5: Miscellaneous

4 Taxation with the district.

Subd. 1. Initial taxation within the district. Requires a city with a land-value taxation district to compute the total property taxes imposed on all parcels within the district for each taxing jurisdiction. This calculation uses current law tax bases and determines tax as if the parcels were not in a land-value taxation district.

Subd. 2. Final taxation within the district. Requires a city to reallocate the total property tax imposed on parcels within the land-value taxation district using the method established by the ordinance in the previous section. The city would need to send to the owner of each parcel within the district a new property tax statement showing the revised tax amount due on the property.

Subd. 3. Report to commissioner of revenue. Requires cities to report to the commissioner of revenue the amount of property tax due on each parcel within a land-value taxation district and the amount of property tax each parcel would have paid if it were not in the district.

Effective date: This section is effective beginning with taxes payable in 2025.

5 Appeal of land value.

Allows owners of property in a land-value taxation district to appeal the valuation attributable to land separately from the valuation attributable to improvements on the land.

Effective date: This section is effective beginning with taxes payable in 2025.

6 Appropriation; city of South St. Paul; grant.

Provides a grant of \$100,000 in fiscal year 2024 to the city of South St. Paul for planning and development costs within the city.

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



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