

Senator Murphy introduced—

S.F. No. 2507: Referred to the Committee on Taxes.

1.1 A bill for an act  
 1.2 relating to taxation; prescribing the effective date of certain rules relating to the  
 1.3 valuation of electric and transmission pipeline utilities; proposing coding for new  
 1.4 law in Minnesota Statutes, chapter 273.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. [273.323] EFFECTIVE DATE FOR RULES FOR VALUATION OF  
 1.7 ELECTRIC AND TRANSMISSION PIPELINE UTILITY PROPERTY.

1.8 Rules adopted by the commissioner of revenue that prescribe the method of valuing  
 1.9 property of electric and transmission pipeline utilities may not take effect before the end  
 1.10 of the regular legislative session in the calendar year following adoption of the rules.

1.11 EFFECTIVE DATE. This section is effective the day following final enactment.

**Senate Counsel, Research,  
and Fiscal Analysis**

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# Senate

State of Minnesota

## **S.F. No. 2507 - Effective Date for Rules for Valuation of Utility Property**

**Author:** Senator Steve Murphy

**Prepared by:** JoAnne Zoff Sellner, Senate Counsel (651/296-3803)

**Date:** March 31, 2006

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This bill provides that rules that are adopted by the Commissioner of Revenue that would prescribe the method of valuing the property of electric and transmission pipeline utilities would not take effect until the end of the regular legislative session in the calendar year following adoption of the rules. For example, if rules were adopted at any time during calendar year 2006, they would not be effective until the end of the regular 2007 legislative session. The bill is effective the day following final enactment.

JZS:ssg

# MINNESOTA - REVENUE

## PROPERTY TAX Utility Assessment Rule Delay

March 31, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue  
Analysis of S.F. 2507 (Murphy) / H.F. 3592 (Olson)

	<b>Fund Impact</b>			
	<b>F.Y. 2006</b>	<b>F.Y. 2007</b>	<b>F.Y. 2008</b>	<b>F.Y. 2009</b>
General Fund	\$0	\$0	\$0	Unknown

(000's)

Effective day following final enactment.

### EXPLANATION OF THE BILL

The bill requires that utility valuation rules adopted by the Department of Revenue may not take effect before the end of the regular legislative session in the calendar year following the adoption of the rules.

### REVENUE ANALYSIS DETAIL

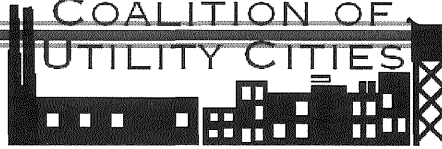
- Under current law, new utility assessment rules may be adopted for assessment year 2007.
- The bill results in a one year delay in using new utility assessment rules.
- Market values under the new rules are not available at this time.
- Net taxes for utility property statewide will probably decrease by an unknown amount
- Net taxes will shift from utility property to other property types, including homesteads, under the new rules. The delay therefore lowers homestead net taxes for payable 2008 compared to adopting the rules one year earlier and would decrease property tax refunds by an unknown amount.

**Number of Taxpayers Affected:** Unknown.

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)

sf2507(hf3592)\_1/lm

# COALITION OF UTILITY CITIES

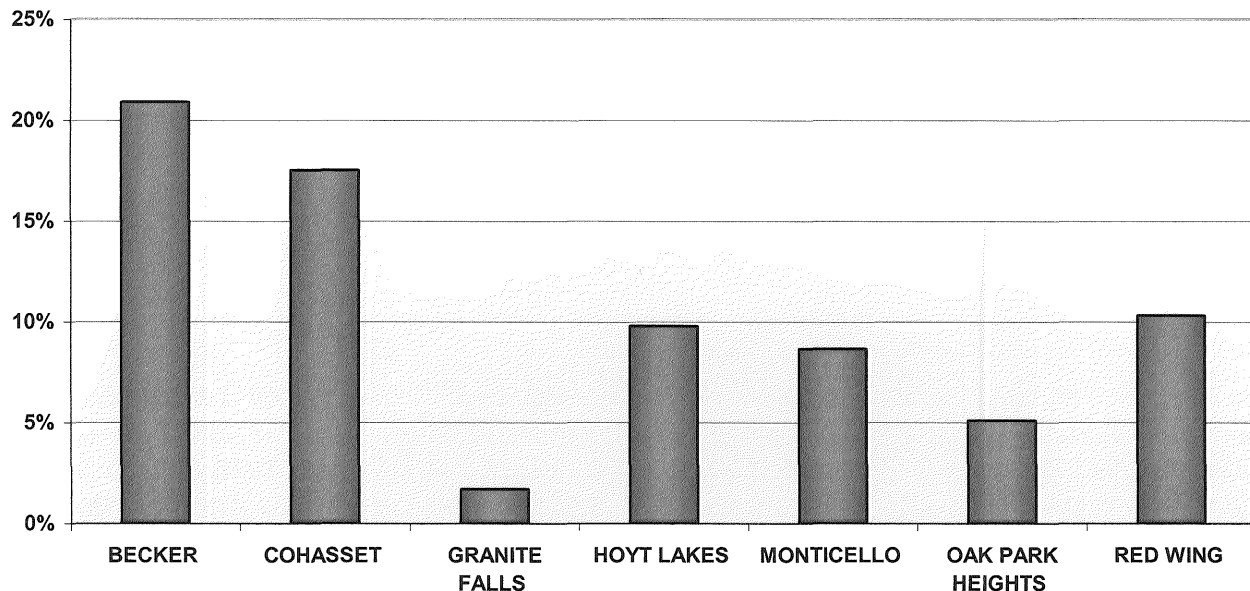


BECKER ♦ COHASSET ♦ GRANITE FALLS ♦ HOYT LAKES ♦ MONTICELLO ♦ OAK PARK HEIGHTS ♦ RED WING

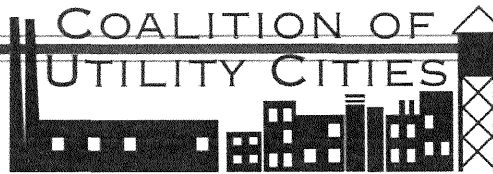
## PROTECT PROPERTY TAX VALUES SUPPORT S.F.2507 (Murphy) / H.F. 3598 (OLSON)

The Minnesota Department of Revenue is set to release new utility valuation rules that could reduce the taxable market value of utility property by as much as 30%. Since 2001, investor-owned utilities have received \$48 million in tax relief and any more property tax relief will seriously undermine the stability utility host cities and communities rely upon to fund their schools, protect their citizens, and bond for special projects. In CUC cities, a 30% valuation decrease on electrical generation personal property (just a portion of what the new rules will effect) would increase property taxes on other property anywhere from 2% to 22%.

**Property Tax Increase for Non-Utilities Created by a 30% Devaluation of  
Electric Generating Machinery**



Utility host communities rely upon the property taxes they receive from utility companies. If the Legislature fails to act this session, it will be too late to adjust to the resulting property tax increases. **Support Legislation to delay the implementation date of the new DOR Rules in order to give the legislature adequate time to address the impact of the new utility valuation rules.**



BECKER \* COHASSET \* GRANITE FALLS \* HOYT LAKES \* MONTICELLO \* OAK PARK HEIGHTS \* RED WING

## Background on MDOR Utility Valuation Rulemaking

In 2004, the Minnesota Department of Revenue (DOR) retained a consultant to study Minnesota's rules for assessing the market value of electric utility and pipeline property. This review is designed to assist the DOR in better estimating the market value of utility property, an issue which has been controversial for many years.

Once the DOR consultant completed his report, it was discussed at public forums in March and July 2005. The DOR Commissioner appointed a multi-stakeholder Utility Rules Advisory Committee to discuss possible changes to the utility valuation rules. The Committee will likely complete its work in April 2006.

In Minnesota, property owned by a utility is assessed as one unit. There are three approaches to assessing *unit value*: the *market approach*, the *cost approach*, and the *income approach*. Key issues being considered by the DOR include the following:

1. Whether the DOR should use a market approach to assess the value of some publicly-traded utilities. This is prohibited under current DOR rules.
2. Whether depreciation limits under the cost approach should be eliminated. Current law limits depreciation to 25% of book depreciation, plus 50% of the excess (62.5% total). The DOR is proposing to eliminate limits on depreciation.
3. Whether economic obsolescence should be considered in the valuation of utility property. Utilities generally support requiring consideration of economic obsolescence because it will tend to drive the taxable value of utility property down.
4. Whether the DOR should be allowed to use several methods of calculating value under the income approach. The DOR currently uses the Capital Asset Pricing Model.
5. Whether the DOR should have full flexibility to weigh the market, cost, and income approaches to value in determining final utility value. Current rules limit "correlation" to 25% income approach, and 75% cost approach.

**The DOR hopes to adopt new rules by the end of 2006, for the 2007 assessment.**

**In general, the DOR proposes to give its appraisers more flexibility in assessing the value of utility property. Increased flexibility, however, reduces stability.**

**The Coalition of Utility Cities has serious concerns with the DOR's proposed changes to utility valuation rules. These changes may reduce the value of utility property anywhere from 15 to 30%.**

**Senator Murphy introduced—**

**S.F. No. 3089:** Referred to the Committee on Jobs, Energy and Community Development.

1.1 A bill for an act  
1.2 relating to taxation; modifying the property tax abatement process as it applies  
1.3 to certain electric generating facilities; amending Minnesota Statutes 2004,  
1.4 sections 116J.993, subdivision 3; 469.1813, subdivisions 1, 6b, 8, 9, by adding a  
1.5 subdivision; Minnesota Statutes 2005 Supplement, section 469.1813, subdivision  
1.6 6.

1.7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.8 Section 1. Minnesota Statutes 2004, section 116J.993, subdivision 3, is amended to  
1.9 read:

1.10 Subd. 3. **Business subsidy.** "Business subsidy" or "subsidy" means a state or local  
1.11 government agency grant, contribution of personal property, real property, infrastructure,  
1.12 the principal amount of a loan at rates below those commercially available to the recipient,  
1.13 any reduction or deferral of any tax or any fee, any guarantee of any payment under any  
1.14 loan, lease, or other obligation, or any preferential use of government facilities given  
1.15 to a business.

1.16 The following forms of financial assistance are not a business subsidy:

- 1.17 (1) a business subsidy of less than \$25,000;
- 1.18 (2) assistance that is generally available to all businesses or to a general class of  
1.19 similar businesses, such as a line of business, size, location, or similar general criteria;
- 1.20 (3) public improvements to buildings or lands owned by the state or local  
1.21 government that serve a public purpose and do not principally benefit a single business or  
1.22 defined group of businesses at the time the improvements are made;
- 1.24 (4) redevelopment property polluted by contaminants as defined in section 116J.552,  
subdivision 3;

2.1 (5) assistance provided for the sole purpose of renovating old or decaying building  
 2.2 stock or bringing it up to code and assistance provided for designated historic preservation  
 2.3 districts, provided that the assistance is equal to or less than 50 percent of the total cost;

2.4 (6) assistance to provide job readiness and training services if the sole purpose of  
 2.5 the assistance is to provide those services;

2.6 (7) assistance for housing;

2.7 (8) assistance for pollution control or abatement, including assistance for a tax  
 2.8 increment financing hazardous substance subdistrict as defined under section 469.174,  
 2.9 subdivision 23;

2.10 (9) assistance for energy conservation;

2.11 (10) tax reductions resulting from conformity with federal tax law;

2.12 (11) workers' compensation and unemployment insurance;

2.13 (12) benefits derived from regulation;

2.14 (13) indirect benefits derived from assistance to educational institutions;

2.15 (14) funds from bonds allocated under chapter 474A, bonds issued to refund  
 2.16 outstanding bonds, and bonds issued for the benefit of an organization described in section  
 2.17 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1999;

2.18 (15) assistance for a collaboration between a Minnesota higher education institution  
 2.19 and a business;

2.20 (16) assistance for a tax increment financing soils condition district as defined under  
 2.21 section 469.174, subdivision 19;

2.22 (17) redevelopment when the recipient's investment in the purchase of the site  
 2.23 and in site preparation is 70 percent or more of the assessor's current year's estimated  
 2.24 market value;

2.25 (18) general changes in tax increment financing law and other general tax law  
 2.26 changes of a principally technical nature;

2.27 (19) federal assistance until the assistance has been repaid to, and reinvested by, the  
 2.28 state or local government agency;

2.29 (20) funds from dock and wharf bonds issued by a seaway port authority;

2.30 (21) business loans and loan guarantees of \$75,000 or less; and

2.31 (22) federal loan funds provided through the United States Department of  
 2.32 Commerce, Economic Development Administration; and

2.33 (23) property tax abatements granted under section 469.1813.

*TO properties subject to valuation under Minnesota Rules, chapter 8100*

2.34 Sec. 2. Minnesota Statutes 2004, section 469.1813, subdivision 1, is amended to read:

3.1 Subdivision 1. **Authority.** The governing body of a political subdivision may grant  
 3.2 ~~an~~ a current or prospective abatement, by contract or otherwise, of the taxes imposed by  
 3.4 the political subdivision on a parcel of property, which may include personal property  
 3.5 and machinery, or defer the payments of the taxes and abate the interest and penalty  
 3.6 that otherwise would apply, if:

3.6 (a) ~~(1)~~ (1) it expects the benefits to the political subdivision of the proposed abatement  
 3.7 agreement to at least equal the costs to the political subdivision of the proposed agreement  
 3.8 or intends the abatement to phase in a property tax increase, as provided in clause (b)(7);  
 3.9 and

3.10 ~~(b)~~ (2) it finds that doing so is in the public interest because it will:

3.11 ~~(1)~~ (i) increase or preserve tax base;

3.12 ~~(2)~~ (ii) provide employment opportunities in the political subdivision;

3.13 ~~(3)~~ (iii) provide or help acquire or construct public facilities;

3.14 ~~(4)~~ (iv) help redevelop or renew blighted areas;

3.15 ~~(5)~~ (v) help provide access to services for residents of the political subdivision;

3.16 ~~(6)~~ (vi) finance or provide public infrastructure; ~~or~~

3.17 ~~(7)~~ (vii) phase in a property tax increase on the parcel resulting from an increase of  
 3.18 50 percent or more in one year on the estimated market value of the parcel, other than  
 3.19 increase attributable to improvement of the parcel; or

3.20 (viii) stabilize the tax base through equalization of property tax revenues for a  
 3.21 specified period of time with respect to a taxpayer whose real and personal property is  
 3.22 subject to valuation under Minnesota Rules, chapter 8100.

3.23 Sec. 3. Minnesota Statutes 2005 Supplement, section 469.1813, subdivision 6, is  
 3.24 amended to read:

3.25 Subd. 6. **Duration limit.** (a) A political subdivision may grant an abatement for a  
 3.26 period no longer than 15 years, except as provided under paragraph (b). The abatement  
 3.27 period will commence in the first year in which the abatement granted is either paid or  
 3.28 retained in accordance with section 469.1815, subdivision 2. The subdivision may specify  
 3.29 in the abatement resolution a shorter duration. If the resolution does not specify a period  
 3.30 of time, the abatement is for eight years. If an abatement has been granted to a parcel of  
 3.31 property and the period of the abatement has expired, the political subdivision that granted  
 3.32 the abatement may not grant another abatement for eight years after the expiration of the  
 3.33 first abatement. This prohibition does not apply to improvements added after and not  
 3.34 subject to the first abatement. Economic abatement agreements for real and personal



4.1 property subject to valuation under Minnesota Rules, chapter 8100, are not subject to this  
 4.2 prohibition and may be granted successively.

4.3 (b) A political subdivision proposing to abate taxes for a parcel may request, in  
 4.4 writing, that the other political subdivisions in which the parcel is located grant an  
 4.5 abatement for the property. If one of the other political subdivisions declines, in writing,  
 4.6 to grant an abatement or if 90 days pass after receipt of the request to grant an abatement  
 4.7 without a written response from one of the political subdivisions, the duration limit  
 4.8 for an abatement for the parcel by the requesting political subdivision and any other  
 4.9 participating political subdivision is increased to 20 years. If the political subdivision  
 4.10 which declined to grant an abatement later grants an abatement for the parcel, the 20-year  
 4.11 duration limit is reduced by one year for each year that the declining political subdivision  
 4.12 grants an abatement for the parcel during the period of the abatement granted by the  
 4.13 requesting political subdivision. The duration limit may not be reduced below the limit  
 4.14 under paragraph (a).

4.15 Sec. 4. Minnesota Statutes 2004, section 469.1813, subdivision 6b, is amended to read:

4.16 Subd. 6b. **Extended duration limit.** (a) Notwithstanding the provisions of  
 4.17 subdivision 6, a political subdivision may grant an abatement for a period of up to 20  
 4.18 years, if the abatement is for a qualified business.

4.19 (b) To be a qualified business for purposes of this subdivision, at least 50 percent of  
 4.20 the payroll of the operations of the business that qualify for the abatement must be for  
 4.21 employees engaged in one of the following lines of business or any combination of them:

- 4.22 (1) manufacturing;
- 4.23 (2) agricultural processing;
- 4.24 (3) mining;
- 4.25 (4) research and development;
- 4.26 (5) warehousing; or
- 4.27 (6) qualified high technology.

4.28 Alternatively, a qualified business also includes a taxpayer whose real and personal  
 4.29 property is subject to valuation under Minnesota Rules, chapter 8100.

4.30 (c)(1) "Manufacturing" means the material staging and production of tangible  
 4.31 personal property by procedures commonly regarded as manufacturing, processing,  
 4.32 fabrication, or assembling which changes some existing material into new shapes, new  
 4.33 qualities, or new combinations.

4.34 (2) "Mining" has the meaning given in section 613(c) of the Internal Revenue Code  
 4.35 of 1986.

5.1 (3) "Agricultural processing" means transforming, packaging, sorting, or grading  
5.2 livestock or livestock products, agricultural commodities, or plants or plant products into  
5.3 goods that are used for intermediate or final consumption including goods for nonfood use.

5.4 (4) "Research and development" means qualified research as defined in section  
5.5 41(d) of the Internal Revenue Code of 1986.

5.6 (5) "Qualified high technology" means one or more of the following activities:

5.7 (i) advanced computing, which is any technology used in the design and  
5.8 development of any of the following:

5.9 (A) computer hardware and software;

5.10 (B) data communications; and

5.11 (C) information technologies;

5.12 (ii) advanced materials, which are materials with engineered properties created  
5.13 through the development of specialized process and synthesis technology;

5.14 (iii) biotechnology, which is any technology that uses living organisms, cells,  
5.15 macromolecules, microorganisms, or substances from living organisms to make or modify  
5.16 a product, improve plants or animals, or develop microorganisms for useful purposes;

5.17 (iv) electronic device technology, which is any technology that involves  
5.18 microelectronics, semiconductors, electronic equipment, and instrumentation, radio  
5.19 frequency, microwave, and millimeter electronics, and optical and optic-electrical devices,  
5.20 or data and digital communications and imaging devices;

5.21 (v) engineering or laboratory testing related to the development of a product;

5.22 (vi) technology that assists in the assessment or prevention of threats or damage to  
5.23 human health or the environment, including, but not limited to, environmental cleanup  
5.24 technology, pollution prevention technology, or development of alternative energy sources;

5.25 (vii) medical device technology, which is any technology that involves medical  
5.26 equipment or products other than a pharmaceutical product that has therapeutic or  
5.27 diagnostic value and is regulated; or

5.28 (viii) advanced vehicles technology which is any technology that involves electric  
5.29 vehicles, hybrid vehicles, or alternative fuel vehicles, or components used in the  
5.30 construction of electric vehicles, hybrid vehicles, or alternative fuel vehicles. An electric  
5.31 vehicle is a road vehicle that draws propulsion energy only from an on-board source of  
5.32 electrical energy. A hybrid vehicle is a road vehicle that can draw propulsion energy from  
5.33 both a consumable fuel and a rechargeable energy storage system.

4 (d) The authority to grant new abatements under this subdivision expires on July 1,  
5.35 2004, except that the authority to grant new abatements for real and personal property  
5.36 subject to valuation under Minnesota Rules, chapter 8100, does not expire.

6.1 Sec. 5. Minnesota Statutes 2004, section 469.1813, subdivision 8, is amended to read:

6.2 Subd. 8. **Limitation on abatements.** In any year, the total amount of property taxes  
6.3 abated by a political subdivision under this section may not exceed (1) ten percent of  
6.4 the current levy, or (2) \$200,000, whichever is greater. The limit under this subdivision  
6.5 does not apply to:

6.6 (1) an uncollected abatement from a prior year that is added to the abatement levy; or  
6.7 (2) a taxpayer whose real and personal property is subject to valuation under  
6.8 Minnesota Rules, chapter 8100.

6.9 Sec. 6. Minnesota Statutes 2004, section 469.1813, subdivision 9, is amended to read:

6.10 Subd. 9. **Consent of property owner not required.** A political subdivision may  
6.11 abate the taxes on a parcel under sections 469.1812 to 469.1815 without obtaining the  
6.12 consent of the property owner. This subdivision does not apply to abatements granted to a  
6.13 taxpayer whose real and personal property is valued under Minnesota Rules, chapter 8100.

6.14 Sec. 7. Minnesota Statutes 2004, section 469.1813, is amended by adding a subdivision  
6.15 to read:

6.16 Subd. 10. **Applicability to utility properties.** When this statute is applied or  
6.17 utilized with respect to a taxpayer whose real and personal property is subject to valuation  
6.18 under Minnesota Rules, chapter 8100, the provisions of this section and sections 469.1814  
6.19 and 469.1815 shall apply only to property specified or described in the abatement contract  
6.20 or agreement.

6.21 Sec. 8. **EFFECTIVE DATE.**

6.22 Sections 1 to 7 are effective for abatements granted after June 30, 2006.

**Senate Counsel, Research,  
and Fiscal Analysis**

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# Senate

State of Minnesota

## **S.F. No. 3089 - Tax Abatements for Electric Generating Facilities**

**Author:** Senator Steve Murphy

**Prepared by:** JoAnne Zoff Sellner, Senate Counsel (651/296-3803)

**Date:** March 31, 2006

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This bill provides for the application of the property tax abatement process to the property of certain electric generating facilities.

**Section 1** amends the business subsidy law to provide that it does not apply to property tax abatements.

**Section 2** modifies the general abatement authority provision to specify that an abatement may be current or prospective and may be granted by contract or otherwise by the governing body of the political subdivision. It also specifies that the abatement may apply to personal property and machinery. It authorizes the granting of the abatement if the governing body finds that it would be in the public interest to do so because granting the abatement will stabilize the tax base through equalization of the property tax revenues for a specified period of time with respect to a taxpayer whose property is valued under the rules that apply to utility property.

**Section 3** provides that the duration of the abatement, which is generally limited to 15 years, begins in the first year in which the abatement is either paid or retained. Economic abatement agreements for real and personal property of utilities are specifically excluded from the prohibition against granting successive abatements after the initial abatement has expired.

**Section 4** adds utility businesses to the list of qualified businesses for which an abatement may be granted with an extended duration limit of up to 20 years. Under current law, the ability to grant abatements subject to this extended duration expires on July 1, 2004, but this bill provides that this authority to grant extended duration abatements as it applies to utility property does not expire.

**Section 5** exempts utility businesses from the limitation on abatements that exist under current law, which is equal the greater of ten percent of the total levy of the political subdivision or \$200,000.

**Section 6** provides that the current law that a political subdivision may abate taxes without obtaining the consent of the property owner does not apply to abatements granted to utility properties.

**Section 7** provides that the application of the abatement laws to utility property applies only to property that is specified or described in an abatement contract or agreement.

**Section 8** provides that the bill is effective for abatements granted after June 30, 2006.

JZS:ssg

# MINNESOTA - REVENUE

## PROPERTY TAX

### Modify Property Tax Abatement Process for Electric Generating Facilities

March 31, 2006

Department of Revenue

Analysis of S.F. 3089 (Murphy) / H.F. 3788 (Anderson, B.)

	Yes	No
DOR Administrative Costs/Savings		X

#### Fund Impact

	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
		(000's)		
General Fund	\$0	\$0	\$0	\$0

Effective for abatements granted after June 30, 2006.

#### EXPLANATION OF THE BILL

The bill would make a number of modifications to the process of abating property taxes for electric generating facilities. The bill would:

- exclude financial assistance in the form of a property tax abatement for an electric generating facility from the definition of business subsidy;
- clarify that local governments may abate property taxes on parcels which include personal property and machinery if certain conditions are met. A new condition would be added to allow abatements for the purpose of stabilizing the tax base through equalization of property tax revenues for a specified period of time with respect to a taxpayer whose real and personal property is subject to valuation by the Department of Revenue;
- allow abatements for electric generating facilities to be granted for successive periods;
- qualify electric generating facilities to receive abatements for a period of up to 20 years, and extend the authority of local governments to grant new abatements;
- exclude abatements for an electric generating facility from the annual abatement limit for local governments;
- require consent of the property owner to abate taxes for property subject to valuation by the Department of Revenue; and
- require that abatement provisions apply only to property specified in the abatement contract.

#### REVENUE ANALYSIS DETAIL

- The modifications to the process of abating property taxes for electric generating facilities would have no impact on the state general fund.

**Number of Taxpayers:** Unknown.

Source: Minnesota Department of Revenue  
Tax Research Division

[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)

Senators Frederickson, Pogemiller, Sams, Rosen and Dille introduced—  
S.F. No. 3309: Referred to the Committee on Taxes.

A bill for an act  
relating to taxation; modifying native prairie taxation provisions; amending  
Minnesota Statutes 2004, sections 272.02, subdivision 12; 273.13, subdivision  
23.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2004, section 272.02, subdivision 12, is amended to read:

Subd. 12. **Native prairie.** Native prairie lands are exempt. The commissioner of ~~the~~  
~~Department of~~ natural resources shall determine lands in the state which are native prairie  
and shall notify the county assessor of each county in which the lands are located. Pasture  
land used for livestock grazing purposes shall not be considered native prairie for the  
purposes of this subdivision unless the pasture is covered by a grazing plan approved by  
the commissioner of natural resources. Upon receipt of an application for the exemption  
provided in this subdivision for lands for which the assessor has no determination from  
the commissioner of natural resources, the assessor shall refer the application to the  
commissioner of natural resources who shall determine within ~~30~~ 180 days whether the  
land is native prairie and notify the county assessor of the decision. Exemption of native  
prairie pursuant to this subdivision shall not grant the public any additional or greater right  
of access to the native prairie or diminish any right of ownership to it.

Sec. 2. Minnesota Statutes 2004, section 273.13, subdivision 23, is amended to read:

Subd. 23. **Class 2.** (a) Class 2a property is agricultural land including any  
improvements that is homesteaded. The market value of the house and garage and  
immediately surrounding one acre of land has the same class rates as class 1a property  
under subdivision 22. The value of the remaining land including improvements up to and

2.1 including \$600,000 market value has a net class rate of 0.55 percent of market value.  
2.2 The remaining property over \$600,000 market value has a class rate of one percent of  
2.3 market value.

2.4 (b) Class 2b property is (1) real estate, rural in character and used exclusively for  
2.5 growing trees for timber, lumber, and wood and wood products; (2) real estate that  
2.6 is not improved with a structure and is used exclusively for growing trees for timber,  
2.7 lumber, and wood and wood products, if the owner has participated or is participating in  
2.8 a cost-sharing program for afforestation, reforestation, or timber stand improvement on  
2.9 that particular property, administered or coordinated by the commissioner of natural  
2.10 resources; (3) real estate that is nonhomestead agricultural land; or (4) a landing area or  
2.11 public access area of a privately owned public use airport. Class 2b property has a net  
2.12 class rate of one percent of market value.

2.13 (c) Agricultural land as used in this section means contiguous acreage of ten  
2.14 acres or more, used during the preceding year for agricultural purposes. "Agricultural  
2.15 purposes" as used in this section means the raising or cultivation of agricultural products.  
2.16 "Agricultural purposes" also includes enrollment in the Reinvest in Minnesota program  
2.17 under sections 103F.501 to 103F.535, the native prairie bank under section 84.96, or the  
2.18 federal Conservation Reserve Program as contained in Public Law 99-198 if the property  
2.19 was classified as agricultural (i) under this subdivision for the assessment year 2002 or (ii)  
2.20 in the year prior to its enrollment. Contiguous acreage on the same parcel, or contiguous  
2.21 acreage on an immediately adjacent parcel under the same ownership, may also qualify  
2.22 as agricultural land, but only if it is pasture, timber, waste, unusable wild land, or land  
2.23 included in state or federal farm programs. Agricultural classification for property shall be  
2.24 determined excluding the house, garage, and immediately surrounding one acre of land,  
2.25 and shall not be based upon the market value of any residential structures on the parcel or  
2.26 contiguous parcels under the same ownership.

2.27 (d) Real estate, excluding the house, garage, and immediately surrounding one acre  
2.28 of land, of less than ten acres which is exclusively and intensively used for raising or  
2.29 cultivating agricultural products, shall be considered as agricultural land.

2.30 Land shall be classified as agricultural even if all or a portion of the agricultural use  
2.31 of that property is the leasing to, or use by another person for agricultural purposes.

2.32 Classification under this subdivision is not determinative for qualifying under  
2.33 section 273.111.

2.34 The property classification under this section supersedes, for property tax purposes  
2.35 only, any locally administered agricultural policies or land use restrictions that define  
2.36 minimum or maximum farm acreage.



3.1 (e) The term "agricultural products" as used in this subdivision includes production  
3.2 for sale of:

3.3 (1) livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing  
3.4 animals, horticultural and nursery stock, fruit of all kinds, vegetables, forage, grains,  
3.5 bees, and apiary products by the owner;

3.6 (2) fish bred for sale and consumption if the fish breeding occurs on land zoned  
3.7 for agricultural use;

3.8 (3) the commercial boarding of horses if the boarding is done in conjunction with  
3.9 raising or cultivating agricultural products as defined in clause (1);

3.10 (4) property which is owned and operated by nonprofit organizations used for  
3.11 equestrian activities, excluding racing;

3.12 (5) game birds and waterfowl bred and raised for use on a shooting preserve licensed  
3.13 under section 97A.115;

3.14 (6) insects primarily bred to be used as food for animals;

3.15 (7) trees, grown for sale as a crop, and not sold for timber, lumber, wood, or wood  
3.16 products; and

3.17 (8) maple syrup taken from trees grown by a person licensed by the Minnesota  
3.18 Department of Agriculture under chapter 28A as a food processor.

3.19 (f) If a parcel used for agricultural purposes is also used for commercial or industrial  
3.20 purposes, including but not limited to:

3.21 (1) wholesale and retail sales;

3.22 (2) processing of raw agricultural products or other goods;

3.23 (3) warehousing or storage of processed goods; and

3.24 (4) office facilities for the support of the activities enumerated in clauses (1), (2),  
3.25 and (3),

3.26 the assessor shall classify the part of the parcel used for agricultural purposes as class  
3.27 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its  
3.28 use. The grading, sorting, and packaging of raw agricultural products for first sale is  
3.29 considered an agricultural purpose. A greenhouse or other building where horticultural  
3.30 or nursery products are grown that is also used for the conduct of retail sales must be  
3.31 classified as agricultural if it is primarily used for the growing of horticultural or nursery  
3.32 products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of  
3.33 those products. Use of a greenhouse or building only for the display of already grown  
4 horticultural or nursery products does not qualify as an agricultural purpose.

3.35 The assessor shall determine and list separately on the records the market value of  
3.36 the homestead dwelling and the one acre of land on which that dwelling is located. If any

4.1 farm buildings or structures are located on this homesteaded acre of land, their market  
4.2 value shall not be included in this separate determination.

4.3 (g) To qualify for classification under paragraph (b), clause (4), a privately owned  
4.4 public use airport must be licensed as a public airport under section 360.018. For purposes  
4.5 of paragraph (b), clause (4), "landing area" means that part of a privately owned public use  
4.6 airport properly cleared, regularly maintained, and made available to the public for use by  
4.7 aircraft and includes runways, taxiways, aprons, and sites upon which are situated landing  
4.8 or navigational aids. A landing area also includes land underlying both the primary surface  
4.9 and the approach surfaces that comply with all of the following:

4.10 (i) the land is properly cleared and regularly maintained for the primary purposes of  
4.11 the landing, taking off, and taxiing of aircraft; but that portion of the land that contains  
4.12 facilities for servicing, repair, or maintenance of aircraft is not included as a landing area;

4.13 (ii) the land is part of the airport property; and

4.14 (iii) the land is not used for commercial or residential purposes.

4.15 The land contained in a landing area under paragraph (b), clause (4), must be described  
4.16 and certified by the commissioner of transportation. The certification is effective until  
4.17 it is modified, or until the airport or landing area no longer meets the requirements of  
4.18 paragraph (b), clause (4). For purposes of paragraph (b), clause (4), "public access area"  
4.19 means property used as an aircraft parking ramp, apron, or storage hangar, or an arrival  
4.20 and departure building in connection with the airport.

*Adopted*

1.1 Senator ..... moves to amend S.F. No. 3309 as follows:

1.2 Page 1, after line 18, insert:

1.3 "EFFECTIVE DATE. This section is effective for taxes levied in 2006, payable  
1.4 in 2007, and thereafter."

1.5 Page 4, after line 20, insert:

1.6 "EFFECTIVE DATE. This section is effective for taxes levied in 2006, payable  
1.7 in 2007, and thereafter."

**Senate Counsel, Research,  
and Fiscal Analysis**

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DIRECTOR

# Senate

State of Minnesota

## **S.F. No. 3309 - Native Prairie Taxation**

**Author:** Senator Dennis Frederickson

**Prepared by:** JoAnne Zoff Sellner, Senate Counsel (651/296-3803)

**Date:** March 31, 2006

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**Section 1** extends the property tax exemption for native prairie lands to pasture land that is used for livestock grazing purposes if the pasture is covered by a grazing plan that is approved by the Commissioner of Natural Resources. This section also extends from 30 to 180 days the time frame during which the Commissioner of Natural Resources must determine whether the land is native prairie and notify the county assessor of that decision.

**Section 2** amends the definition of "agricultural purposes" to include enrollment in the native prairie bank for purposes of determining whether land will be classified as agricultural land for property tax purposes.

JZS:ssg

# MINNESOTA • REVENUE

## PROPERTY TAX

### Native Prairie Exemption Expansion

March 29, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue

Analysis of S.F. 3309 (Frederickson) / H.F. 3861 (Magnus)

	<u>Fund Impact</u>			
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
General Fund	\$0	\$0	\$0	(\$20)

(000's)

Effective August 1, 2006.

### EXPLANATION OF THE BILL

This bill expands the definition of native prairie land that is exempt from the property tax to include pasture land covered by a grazing plan approved by the Commissioner of Natural Resources. The bill also provides that property enrolled in the native prairie bank program can be classified as agricultural for property tax purposes.

### REVENUE ANALYSIS DETAIL

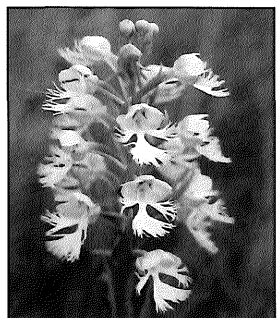
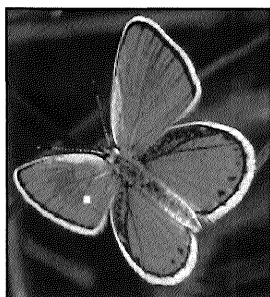
- According to a Department of Natural Resources analysis, it is estimated that after three years, the total general fund cost will be \$60,000 due to school aid changes. One third is assumed to enroll in each of the next three years.
- There are currently 69 easements totaling 5,349 acres enrolled in the native prairie bank program.
- As a result of exempting certain pasture land and reducing the class rate for property in the native prairie bank program, the property tax would shift to other properties including homesteads.
- The tax shift thus would increase homeowner property tax refunds by a negligible amount for taxes payable in 2008 and following years.

**Number of Taxpayers Affected:** Up to 30,000 acres of native prairie.

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)

sf3309(hf3861)\_1/lm

#3



# NATIVE PRAIRIE

S.F. 3309/H.F. 3861  
Property Tax Issues

## Overall Goal of S.F. 3309/H.F. 3861

- To provide further incentives for private landowners to encourage them to maintain Minnesota's remaining native prairie.

## What is native prairie?

- Native grasslands that have never been plowed and that support characteristic native prairie vegetation.

## What is the status of Minnesota's native prairie?

- The state originally had approximately 19 million acres of native prairie but today only 150,000 acres remain. Nearly 75% of the acreage (100,000 acres) is in private ownership.
- Native prairie is home to 40% of the state's threatened and endangered plants and animals and provides important hunting, haying and grazing lands.

## What does S.F. 3309/H.F. 3861 accomplish?

- Allows native prairie lands used for livestock grazing to be eligible for the prairie tax exemption if the grazing is done according to a plan approved by the DNR. Currently only haying is an approved practice. Estimated fiscal impact is a loss of \$60,000 to the General Fund by F.Y. 2010.
- Include lands acquired as native prairie bank easements in the definition of agricultural land in M.S. 273.13, subd. 23(c), so they can retain a lower property tax classification. No fiscal impact.

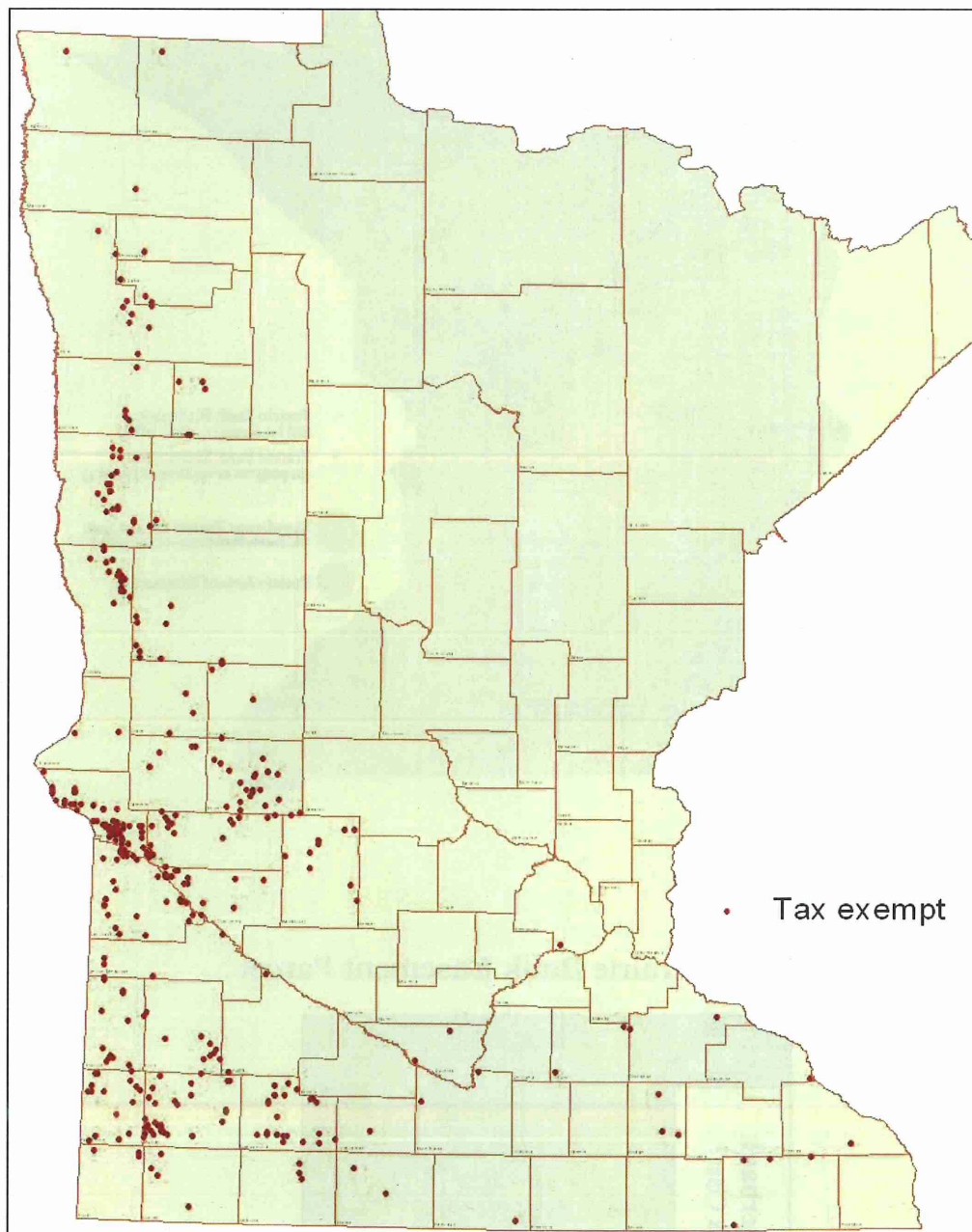
# Native Prairie Tax Exemption Program

M.S. 273.13, subd. 23, paragraph (c)

Current Enrollment: 443 landowners, 17,562 acres

Proposed Change: Allow land used for livestock grazing to be eligible for the prairie tax exemption if the grazing is done according to a plan approved by the DNR. Estimate is that landowners will seek to enroll up to an additional 30,000 acres in the program. With an average property tax revenue of \$5/acre for pasture land DNR estimates that the proposal will reduce annual statewide property tax revenues by \$150,000 in three years. The loss to the state's general fund would be the equalized portion of the school levy, which is estimated to be 40% of the total reduced revenue, or \$60,000. DNR estimates that it would take at least 3 years for the 30,000 acres to be approved so the reduced tax revenue would be less the first two years, beginning with an estimated loss of \$10,000 in FY08.

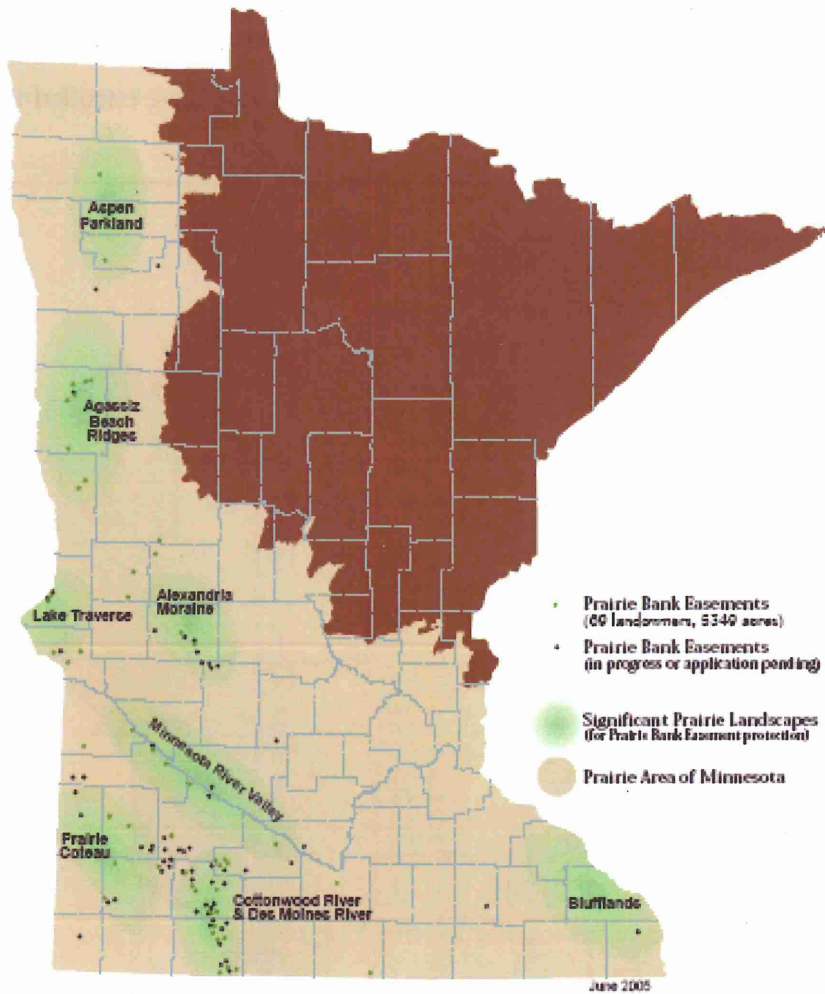
Figure below shows the distribution of the current properties that have enrolled in the prairie tax exemption program (443 properties for a total of 17,562 acres)



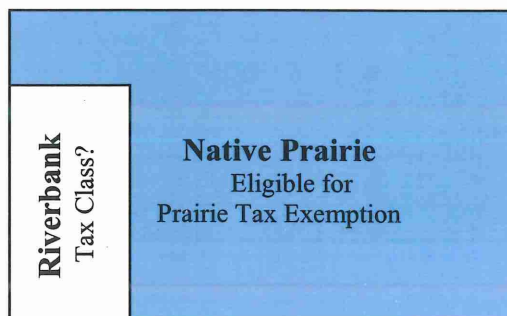
# Native Prairie Bank Program (M.S. 84.96)

Current Enrollment: 69 easements; 5,349 acres

Proposed Change: Include lands acquired as native prairie bank easements in the definition of agricultural land in M.S. 273.13, subd. 23 (c), so they can retain a lower property tax classification. Figure below shows the current distribution of prairie bank easements and those that are in progress.



## Example: Prairie Bank Easement Parcel





Senators Moua, Belanger, Pogemiller, Sparks and Skoe introduced--  
S.F. No. 3578: Referred to the Committee on Taxes.

A bill for an act  
relating to taxation; extending the application of the 4d property tax classification;  
amending Minnesota Statutes 2005 Supplement, section 273.128, subdivision 1.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2005 Supplement, section 273.128, subdivision 1,  
is amended to read:

Subdivision 1. **Requirement.** Low-income rental property classified as class 4d  
under section 273.13, subdivision 25, is entitled to valuation under this section ~~if at least~~  
~~75 percent of~~ for the units in the rental housing property that meet any of the following  
qualifications:

(1) the units are subject to a housing assistance payments contract under section 8  
of the United States Housing Act of 1937, as amended;

(2) the units are rent-restricted and income-restricted units of a qualified low-income  
housing project receiving tax credits under section 42(g) of the Internal Revenue Code of  
1986, as amended;

(3) the units are financed by the Rural Housing Service of the United States  
Department of Agriculture and receive payments under the rental assistance program  
pursuant to section 521(a) of the Housing Act of 1949, as amended; or

(4) the units are subject to rent and income restrictions under the terms of financial  
assistance provided to the rental housing property by the federal government ~~or~~, the  
state of Minnesota, or a local unit of government as evidenced by a document recorded  
against the property.

The restrictions must require assisted units to be occupied by residents whose  
household income at the time of initial occupancy does not exceed 60 percent of the

2.1 greater of area or state median income, adjusted for family size, as determined by the  
2.2 United States Department of Housing and Urban Development. The restriction must also  
2.3 require the rents for assisted units to not exceed 30 percent of 60 percent of the greater of  
2.4 area or state median income, adjusted for family size, as determined by the United States  
2.5 Department of Housing and Urban Development.

2.6 EFFECTIVE DATE. This section is effective for taxes levied in 2006, payable  
2.7 in 2007, and thereafter.

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and Fiscal Analysis**

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**Senate**

**State of Minnesota**

**S.F. No. 3578 - 4d Property Tax Classification**

**Author:** Senator Mee Moua

**Prepared by:** JoAnne Zoff Sellner, Senate Counsel (651/296-3803)

**Date:** March 31, 2006

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This bill extends the availability of the 4d classification for rental property occupied by low income individuals in two ways. First, the requirement that the classification only apply to properties in which at least seventy-five percent of the units meet the low income qualification is stricken. Thus, if any number of units within a property meet the income restrictions, those units would qualify for the 4d classification. Second, the category under which units may qualify for this classification, if they are subject to rent and income restrictions under the terms of financial assistance provided to the property by the federal government or the state of Minnesota, is expanded to properties that receive this type of assistance from a local unit of government. The bill is effective for taxes levied in 2006, payable in 2007 and thereafter.

JZS:ssg

**Low Income Rental Classification (LIRC) / 4d Property Class**

In 2005, the Minnesota State Legislature reinstated a special class rate for income and rent restricted housing, called the Low Income Rental Classification (LIRC; 4d). The Low Income Rental Classification reduces the property class rate applied to qualifying low-income rental units by up to 40% (1.25% for non-qualifying units compared to .75% for qualifying units).

**What are the eligibility criteria for LIRC?**

As passed in 2005, at least 75% of the total units in a rental property must meet one of the following criteria:

- Project Based Section 8
- Low Income Housing Tax Credits
- Rental Assistance through Rural Housing Service of USDA
- Rent and income restrictions at or below 60% of area median income placed on units by state or federal unit of government as evidenced by a document recorded against the property

Note that only qualifying units that meet above criteria receive the lower class rate, not the entire building or project.

**LIRC / 4d Modifications**

We are proposing two changes to the LIRC eligibility criteria:

- Remove the provision requiring that at least 75% of the units be affordable in order for a rental property to be eligible.
- Allow local government funded projects to be eligible for reduced tax class rate.

The legislation as initially drafted last year contained a lower threshold and included local government funded projects. It has become evident after the processing of the first round of applications that approximately 10,000 units of housing have been excluded from participating in this program.

**Lower Threshold**

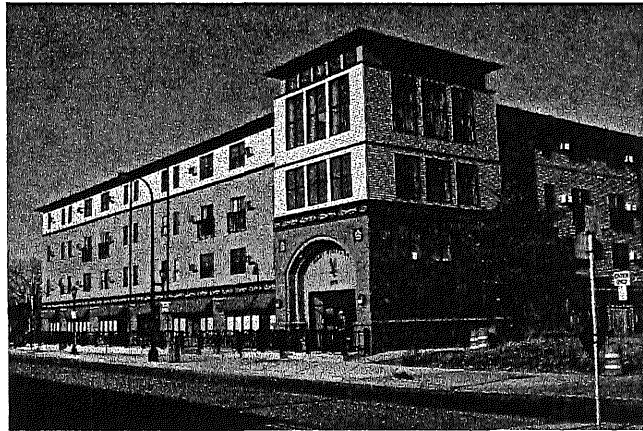
MHFA reported that over 50% of application denials were attributable to projects not meeting the 75% threshold requirement. Greater Minnesota projects tend to have a lower percentage of affordable housing units as part of their mixed income developments. A 20% minimum requirement would cover the great majority of publicly funded projects across the state allowing a significant number of units to benefit from this classification

**Local Government Financing**

Many locally financed housing developments contain the same rent restrictions as properties financed by federal and state programs and should not be excluded from participating in the program. MHFA reported denying a few properties for this reason but many properties did not apply as guidelines clearly stated the local financing exclusion.

Housing Minnesota has had discussions with MHFA, Revenue and the assessors regarding these changes.

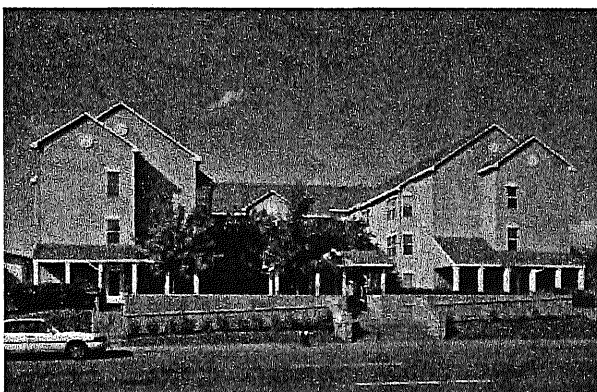
*Many Rivers East*, developed by the American Indian Community Development Corporation, is a mixed income development in Minneapolis. Because 37 of its 50 units are affordable (74%), *Many Rivers East* is **not** eligible for LIRC. *Many Rivers East* would have seen a tax savings of nearly \$20,000 in 2005, based on the portion of total units that are rent restricted.



*Many Rivers East* in Minneapolis

*In Albert Lea, Senior Court* provides 76 units of senior housing. Of these units, 32 are project-based Section 8 – about 42% of the total number of units. Because fewer than 75% of the units meet the LIRC requirements, all of the units at Senior Court are taxed at the regular rental class rate. If Senior Court had qualified for LIRC, the property would have experienced a savings of \$3,670 on its 2005 property taxes. This is especially significant when one considers that, between 2002 and 2005, the property taxes on this development have doubled!

*Elliot Court* in Minneapolis



*Elliot Court*, in the *Elliot Park* neighborhood of Minneapolis, is an example of an affordable housing development **not** eligible for LIRC because it was funded with local financing, rather than federal or state sources. Developed by CCHT, *Elliot Court* provides 57 units of affordable housing. If *Elliot Court* had qualified for LIRC funding, the property would have

experienced a substantial savings on its 2005 property tax – more than \$10,500 in savings!

#5

# Project for Pride in Living

## Properties which did not qualify in 2005 for LIRC, and reason:

- |    |                                |   |
|----|--------------------------------|---|
| 1  | 3144 Columbus Ave S., Mpls     | fewer than 75% of units qualified             |
| 2  | 3308 4th Ave S                 | fewer than 75% of units qualified             |
| 3  | 3316 4th Ave S                 | fewer than 75% of units qualified             |
| 4  | 3320 4th Ave S                 | fewer than 75% of units qualified             |
| 5  | 3637 Columbus Ave S.           | fewer than 75% of units qualified             |
| 6  | 1819 Elliot Ave S              | Restricted by City of Minneapolis (CPED)      |
| 7  | 1220 Morgan Ave N              | Restricted by City of Minneapolis (CPED)      |
| 8  | 610 Logan Ave N                | Restricted by City of Minneapolis (CPED)      |
| 9  | 1027 Morgan Ave N              | Restricted by City of Minneapolis (CPED)      |
| 10 | 909 Oliver Ave N               | Restricted by City of Minneapolis (CPED)      |
| 11 | 910 Oliver Ave N               | Restricted by City of Minneapolis (CPED)      |
| 12 | 914 Oliver Ave N               | Restricted by City of Minneapolis (CPED)      |
| 13 | 920 Oliver Ave N               | Restricted by City of Minneapolis (CPED)      |
| 14 | 1400 25th St E                 | Restricted by City of Minneapolis (CPED)      |
| 15 | 1119 Logan Ave N               | Restricted by City of Minneapolis (CPED)      |
| 16 | 205 W 26th St                  | Restricted by City of Minneapolis (CPED)      |
| 17 | 2746 Pleasant Ave S            | Restricted by City of Minneapolis (CPED)      |
| 18 | 3044 5th Ave S                 | Restricted by City of Minneapolis (CPED)      |
| 19 | 3521 2nd Ave S                 | Restricted by City of Minneapolis (CPED)      |
| 20 | 2813 Pillsbury Ave S           | Restricted by City of Minneapolis (CPED)      |
| 21 | 211 West 28th St               | Restricted by City of Minneapolis (CPED)      |
| 22 | 683 Hague Ave, St Paul         | fewer than 75 % units qualify                 |
| 23 | 700 Selby Av, St Paul          | MHFA will sign amended Reg Agreement for 2006 |
| 24 | Armadillo Flats 2727 1st Ave S | fewer than 75 % units qualify                 |

# Project for Pride in Living

Properties approved for LIRC tax basis in 2006	PROPERTY TAXES PAID IN				
	2002	2003	2004	2005	2006
1 <b>Anishinabe Wakiagun</b> 1600 19th St E., Minneapolis	11,097	16,701	22,067	22,590	13,554
2 <b>Collaborative Village</b> 2020 Elliot Ave S., Minneapolis		new		16,226	9,736
3 <b>Columbus Park</b> 2835 Park Ave S	5,464	8,392	11,686	10,873	6,524
4 <b>Louisiana Court</b> , St Louis Park	60,450	73,600	107,808	113,198	90,559
5 <b>3312 4th Ave South</b> Minneapolis	2,498	3,898	5,932	5,932	3,680
6 <b>1123 Logan Ave North</b>	2,299	2,930	4,626	4,305	2,583
7 <b>2924 Aldrich Ave S</b>	3,963	4,662	5,180	6,475	4,883
8 <b>Elliot Park Commons</b> 610 East 15th St, Mpls	10,303	16,547	20,765	19,315	11,589
9 <b>Canadian Terrace</b> 920 19th St E.	10,129	15,714	21,639	20,415	12,249
10 <b>Joseph Selvaggio Initiative</b> 27th-- Portland, Chicago Avenues	new	6,642	14,208	48,486	38,789
11 <b>Bass Lake Court Townhomes</b> 7300 Bass Lake, New Hope			new	39,277	24,955
12 <b>Park Crossing Apartments</b> 1068 Raymond, St Paul	10,418	13,478	16,616	15,420	9,252
13 <b>Families First</b> 1036 Marshall, St Paul	3,378	3,996	5,178	4,926	2,955
14 <b>Crestview Community</b> 1145-71 Westminster , St Paul	15,644	17,564	23,692	27,294	16,387
15 <b>Prosperity Village</b> 4046 Lyndale Ave North	13,161	13,773	18,784	17,716	10,630
16 <b>Bass Lake Apartments</b> 7610 Bass Lake, New Hope	new	9,882	14,360	14,360	9,769

Senator Pogemiller introduced—

S.F. No. 3625: Referred to the Committee on Taxes.

1.1 A bill for an act  
1.2 relating to taxation; property; providing that the property tax statement must  
1.3 contain additional information on targeting; amending Minnesota Statutes 2005  
1.4 Supplement, section 276.04, subdivision 2.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2005 Supplement, section 276.04, subdivision 2, is  
1.7 amended to read:

1.8 Subd. 2. **Contents of tax statements.** (a) The treasurer shall provide for the  
1.9 printing of the tax statements. The commissioner of revenue shall prescribe the form  
1.10 of the property tax statement and its contents. The statement must contain a tabulated  
1.11 statement of the dollar amount due to each taxing authority and the amount of the state  
1.12 tax from the parcel of real property for which a particular tax statement is prepared. The  
1.13 dollar amounts attributable to the county, the state tax, the voter approved school tax, the  
1.14 other local school tax, the township or municipality, and the total of the metropolitan  
1.15 special taxing districts as defined in section 275.065, subdivision 3, paragraph (i), must  
1.16 be separately stated. The amounts due all other special taxing districts, if any, may be  
1.17 aggregated except that any levies made by the regional rail authorities in the county of  
1.18 Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A  
1.19 shall be listed on a separate line directly under the appropriate county's levy. If the county  
1.20 levy under this paragraph includes an amount for a lake improvement district as defined  
1.21 under sections 103B.501 to 103B.581, the amount attributable for that purpose must be  
1.22 separately stated from the remaining county levy amount. In the case of Ramsey County,  
1.23 if the county levy under this paragraph includes an amount for public library service  
1.24 under section 134.07, the amount attributable for that purpose may be separated from the



2.1 remaining county levy amount. The amount of the tax on homesteads qualifying under the  
2.2 senior citizens' property tax deferral program under chapter 290B is the total amount of  
2.3 property tax before subtraction of the deferred property tax amount. The amount of the  
2.4 tax on contamination value imposed under sections 270.91 to 270.98, if any, must also  
2.5 be separately stated. The dollar amounts, including the dollar amount of any special  
2.6 assessments, may be rounded to the nearest even whole dollar. For purposes of this section  
2.7 whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar.  
2.8 The amount of market value excluded under section 273.11, subdivision 16, if any, must  
2.9 also be listed on the tax statement.

2.10 (b) The property tax statements for manufactured homes and sectional structures  
2.11 taxed as personal property shall contain the same information that is required on the  
2.12 tax statements for real property.

2.13 (c) Real and personal property tax statements must contain the following information  
2.14 in the order given in this paragraph. The information must contain the current year tax  
2.15 information in the right column with the corresponding information for the previous year  
2.16 in a column on the left:

2.17 (1) the property's estimated market value under section 273.11, subdivision 1;

2.18 (2) the property's taxable market value after reductions under section 273.11,  
2.19 subdivisions 1a and 16;

2.20 (3) the property's gross tax, calculated by adding the property's total property tax to  
2.21 the sum of the aids enumerated in clause (4);

2.22 (4) a total of the following aids:

2.23 (i) education aids payable under chapters 122A, 123A, 123B, 124D, 125A, 126C,  
2.24 and 127A;

2.25 (ii) local government aids for cities, towns, and counties under sections 477A.011 to  
2.26 477A.04; and

2.27 (iii) disparity reduction aid under section 273.1398;

2.28 (5) for homestead residential and agricultural properties, the credits under section  
2.29 273.1384;

2.30 (6) any credits received under sections 273.119; 273.123; 273.135; 273.1391;

2.31 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit received  
2.32 under section 273.135 must be separately stated and identified as "taconite tax relief"; and

2.33 (7) the net tax payable in the manner required in paragraph (a).

2.34 (d) If the county uses envelopes for mailing property tax statements and if the county  
2.35 agrees, a taxing district may include a notice with the property tax statement notifying  
2.36 taxpayers when the taxing district will begin its budget deliberations for the current

3.1 year, and encouraging taxpayers to attend the hearings. If the county allows notices to  
3.2 be included in the envelope containing the property tax statement, and if more than  
3.3 one taxing district relative to a given property decides to include a notice with the tax  
3.4 statement, the county treasurer or auditor must coordinate the process and may combine  
3.5 the information on a single announcement.

3.6 The commissioner of revenue shall certify to the county auditor the actual or  
3.7 estimated aids enumerated in paragraph (c), clause (4), that local governments will receive  
3.8 in the following year. The commissioner must certify this amount by January 1 of each  
3.9 year.

3.10 (e) A notice must be printed on the front side of the property tax statement for  
3.11 homestead property stating that if the total property tax has increased over the previous  
3.12 year's tax by more than the threshold percentage in section 290A.04, subdivision 2h,  
3.13 the taxpayer may be eligible, regardless of income, for a special property tax refund  
3.14 from the state.

3.15 EFFECTIVE DATE. This section is effective for property tax statements prepared  
3.16 in 2006, for property taxes payable in 2007 and thereafter.

**Senate Counsel, Research,  
and Fiscal Analysis**

G-17 STATE CAPITOL  
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**Senate**

**State of Minnesota**

**S.F. No. 3625 - Targeting Information**

**Author:** Senator Lawrence Pogemiller

**Prepared by:** JoAnne Zoff Sellner, Senate Counsel (651/296-3803)

**Date:** March 31, 2006

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This bill requires that for a property tax statement relating to homestead property, a notice must be printed on the front side of the property tax statement stating that the property may be eligible for a targeting refund regardless of the income of the property owner if the property tax has increased over the previous year's amount by more than the threshold percentage in law. This bill is effective for property tax statements prepared in 2006 and thereafter.

JZS:ssg

# MINNESOTA • REVENUE

## PROPERTY TAX Property Tax Statements Include Targeting Refund Notice

March 31, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue  
Analysis of H.F. 3798 (Loeffler) / S.F. 3625 (Pogemiller)

	<u>Fund Impact</u>			
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
General Fund	\$0	\$0	\$0	\$0

(000's)

Effective for property tax statements prepared for taxes payable in 2007 and thereafter.

### EXPLANATION OF THE BILL

The bill would require a targeting refund notice be printed on the front side of the property tax statement for homestead property. The notice would state that if the total property tax has increased over the previous year's tax by more than 12%, the taxpayer may be eligible, regardless of income, for a targeting refund from the state.

### REVENUE ANALYSIS DETAIL

- The proposal would have no impact on any state funds.

**Number of Taxpayers:** All homeowners receiving property tax notices.

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)

hf3798(sf3625)\_1/nrg

Senator Pogemiller introduced—

S.F. No. 3497: Referred to the Committee on Taxes.

1.1 A bill for an act  
 1.2 relating to taxation; requiring registration of certain relative homestead  
 1.3 properties; amending Minnesota Statutes 2004, section 273.124, by adding a  
 1.4 subdivision.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2004, section 273.124, is amended by adding a  
 1.7 subdivision to read:

1.8 Subd. 22. Annual registration of certain relative homesteads. If the owner of  
 1.9 property or the owner's relative who occupies property that is classified as a homestead  
 1.10 under subdivision 1, paragraph (c), receives compensation for allowing occupancy of any  
 1.11 part of that property for a period that exceeds 31 consecutive days during the calendar  
 1.12 year, the recipient of the compensation must register the property with the city in which  
 1.13 it is located no later than 60 days after the initial rental period began. This requirement  
 1.14 applies to property located in a city that has a population over 25,000. Each such city must  
 1.15 maintain a file of these property registrations that is open to the public, and retain the  
 1.16 registrations for one year after the date of filing.

1.17 EFFECTIVE DATE. This section is effective July 1, 2006.

**Senate Counsel, Research,  
and Fiscal Analysis**

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# Senate

State of Minnesota

## **S.F. No. 3497 - Registration of Rental Relative Homestead Properties**

**Author:** Senator Lawrence Pogemiller

**Prepared by:** JoAnne Zoff Sellner, Senate Counsel (651/296-3803)

**Date:** March 31, 2006

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This bill requires that if the owner of property that is classified as a relative homestead or the owner's relative who occupies that property receives compensation for allowing rental of any part of that property for a period that exceeds one month during the calendar year, the recipient of the compensation must register the property with the city in which the property is located no later than 60 days after the initial rental period began. The bill requires each city to maintain a file of these property registrations, that would be open to the public, and to retain these registrations for one year after the date of filing. The bill is effective July 1, 2006, and applies to property located in a city with a population over 25,000.

JZS:ssg

# MINNESOTA • REVENUE

## PROPERTY TAX Register Relative Homesteads

March 31, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue  
Analysis of S.F. 3497 (Pogemiller) / H.F. 3889 (Kahn)

Effective July 1, 2006.

For property classified as a relative homestead in a city with population of over 25,000, the bill requires that if the owner or owner's relatives receive compensation for allowing occupancy of any part of their property for more than 31 consecutive days, they must register with the city. The recipient of the compensation must register within 60 days after the beginning of the initial rental period. The city must maintain the records for a year, and they must be open to the public.

The bill would have no impact on any state funds.

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)

sf3497(hf3889)\_2/lm